

JPRS-EER-89-025
15 MARCH 1989



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JPRS-EER-89-025

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GERMAN DEMOCRATIC REPUBLIC

Evangelical Minister on State Relations, Church Activities

26000277 Katowice GOSC NIEDZIELNY in Polish
No 46, 13 Nov 88 pp 1, 4-5

[Interview with Pastor Erich Busse, minister, Evangelical Congregation in Berlin-Oberschoeneweide, by Father Henryk Piecha: "Between Dejection and Hope"; date and place not given]

[Text]

[GOSC NIEDZIELNY] The Evangelical Church is the largest religious community in the GDR. This is historically justified. According to recently published data, the number of evangelicals comes to 7 million, which accounts for close to one-half of the population of 16.5 million. There are barely 1.05 million Catholics, i.e., 6 percent. What is the actual religious and social situation of the Evangelical Church in the GDR?

[Busse] Statistics are not my specialty. However, since we cannot do without them, I must say that from this point of view the situation of the church in the GDR appears different from the idea many Poles have of it. They believe that the GDR is a country of reformation, and the Evangelical Church has a large number of members. Unfortunately, a considerable outflow of people from the church occurred in the postwar period. Many causes contributed to this, antichurch propaganda being one. I believe that primarily the ones who left were not deeply involved with the church and did not even need much persuasion to do so. Certainly, there were cases when pressure was brought to bear, and even threats were made. In recent years, the situation has stabilized, and statistics have remained at more or less the same level. However, it should be noted that they reflect only the number of people who tithe, and thus do not paint the actual picture of participation by the faithful in church activities.

In Berlin, evangelicals account for 7 percent of the general populace, and out of this share merely a handful attend services. Some of the churches are very large, but only 10, at best, 50 persons come to Sunday services. We should definitely take into account the fact that in our church there is no duty or custom to attend Sunday services. Therefore, many persons taking part in various forms of activity of the congregation, e.g., Bible circles or discussion groups, do not attend the services either. The actual status is difficult to discern, because basically the churches appear to be empty, but they fill up on various occasions, for example, when events of some kind are organized such as, say, Kirchentage [Church Congresses] or exhibitions, concerts or services in resort localities.

However, the number of people engaged in church activities is small. Most often these are the same people who are socially active. It appears to me that this results

from the fact that a greater part of society still displays a passive attitude. In general, the church and groups of committed individuals enjoy much sympathy. However, the conviction that taking action is not worthwhile, that it makes no sense to stick your neck out, that nothing would change no matter what, is rooted too deeply in our society. The attitude of passive waiting is characteristic, though to a smaller degree than before.

[GOSC NIEDZIELNY] Is this widespread attitude of dejection a result of the postwar experience?

[Busse] I believe we can say so.

[GOSC NIEDZIELNY] For some time now, increased interest in religion, especially among young people, has been noted in the GDR.

[Busse] Indeed a certain religious enlivening may be observed. A large proportion of the young people has no confidence in what the newspaper print and what they are taught in schools. Young people know that reality is different. Sometimes, they do not trust their parents either, and accuse them of concealing their own views. They express their protest by turning to the church. Besides, young people are interested in the stand of the church on the existing reality and various current issues. There are also other reasons, including the purely religious ones, which account for interest in the church. All of this causes the Bible to acquire new value. Many people want to have the Holy Bible, but it is hard to obtain at present.

[GOSC NIEDZIELNY] You mentioned that the Evangelical Church enjoys the sympathy of a large part of society; is this to say that the church identifies with society to some degree and expresses its opinion?

[Busse] From time to time, the church makes statements on issues essential to society. It points out the aspirations and needs of the people, reveals the weak points and issues of concern for society or resists improper tendencies in various spheres of public life. The results of these efforts are obvious, but very often they come only after a long period of time. This is part of the reason why it is sometimes difficult for people to link the efforts of the church with the results attained a dozen or so years later.

[GOSC NIEDZIELNY] Could you mention current problems or spheres of social life in which the Evangelical Church is involved?

[Busse] Certainly, there are various fields of social life in which the church has invested its authority for many years now, and is willing to start talks with the relevant authorities. This involves, first of all, the entire sphere of education and schools. After all, the existing system of upbringing does not produce the desired effect. The second set of issues involves introducing genuine alternative service for those refusing to go to the army. The

current form of alternative service involves performing auxiliary work for the armed forces, e.g., such as building barracks or firing ranges or cooking in military kitchens.

Environmental protection is another important field in which the church is involved. Finally, there is the issue of health care. The situation in this field is deteriorating continuously. Shortages of basic drugs and the most simple medical instruments are beginning to happen. The desire of the health care personnel to work diligently is weakening. They do not make a whole lot, besides, their working conditions are not very good. Due to this, many physicians want to emigrate.

[GOSC NIEDZIELNY] What are the main shortcomings of the educational system?

[Busse] The operative ideal is definitely that of a comprehensively educated person. In reality, however, education is lopsided, scientific and technical training dominates. As a result, the children very quickly lose their skill of expression and their ability to act spontaneously and creatively. Instruction is based on repeating prepared formulae, there is no room for unexplained issues or doubts, which makes human life incredibly poorer.

Ideological training is foremost in the entire educational system. Even educational programs for children in day care centers and nurseries are subordinated to this pursuit: they should bring out love for the motherland and the desire to go to the army later. School curriculae do not provide for a subject which could be called upbringing for peace. The current educational system does not prevent unfavorable phenomena. For example, a recent public discussion in our country involved attitudes of certain youth groups which publicly manifest fascist views. The numbers of such young people are not very large; however, the phenomenon itself worries greatly both the state authorities and society. I believe that this phenomenon cannot be explained by influences from the outside.

[GOSC NIEDZIELNY] Recently, information has been appearing about the existence of independent pacifist and ecological groups in the GDR. What is the attitude of the Evangelical Church towards these groups?

[Busse] First of all, we should say that an overwhelming majority of these groups operate within the framework of the Evangelical Church. Generally, they use buildings of the congregations; sometimes they meet at private apartments. Independent groups have existed for a long time now; some time ago, they were not as numerous, and their activities were not as bold as now. A significant change has occurred in the consciousness of people involved with these groups; they have gotten rid of their inner fear. Some time ago, they asked that their requests be heard and met, and now they demand this. The issues they handle are varied; these are issues of peace, civil rights, environmental protection, new pedagogical approaches, emancipation of women or new theology.

Reservations about the operation of these groups are made by the church hierarchy, though infrequently. The apprehension is that the church will be used for purposes alien to religion.

[Passage deleted from original text and replaced with notation: Law of 31 July 1981, "On the Control of Publications and Performances," Art 2 Point 3, DZIENNIK USTAW No 20, item 99, amended in 1983, DZIENNIK USTAW No 44, item 204]

[GOSC NIEDZIELNY] What is the shape of relations between the state and the church?

[Busse] After the war, for a period of 10 or 20 years, the authorities believed that the church and religion were remnants of the past which would disappear quickly, and at times they helped this process to advance quickly. At the same time, a large portion of the populace treated the new social system as transitory. In the 1960's, however, all [parties] came to the conclusion that they should be tolerant of each other.

At present, the state authorities would like, on the one hand, for the church not to exist, because it still is the only independent organization in the GDR; on the other hand, the authorities need the church. The church operates nurseries, day care centers and old-age homes, and takes care of people with whom the authorities are not managing very well—the handicapped, mentally ill, alcoholics, persons going through personal and family conflicts, etc. Recently, the church has been increasingly gaining in significance as a trustworthy institution.

[GOSC NIEDZIELNY] In some socialist countries, the church was deprived of an opportunity to engage in social action.

[Busse] The situation was different in the GDR. Soviet troops granted permission to the church to engage in social actions very quickly. It was believed that the church had not tarnished its good name by collaborating with the Hitlerite system. Thus all church institutions and social welfare facilities have survived to this day. However, I am not aware of a case when the church was granted a permit to open a new facility or social institution later. I do not have the exact data, but I have heard that the church has 10 percent of all hospital beds in the GDR, and in the case of facilities for the mentally impaired, this share is considerably higher. The hospitals and social welfare facilities operated by the church find tremendous approval, because they are very well equipped due to help from the West. Besides, patients are treated there much better than in state facilities.

[GOSC NIEDZIELNY] Is the church persecuted in any way?

[Busse] It is difficult to talk about persecuting the entire church. It happens that individual persons are persecuted. However, there is a sphere which is sensitive for

the authorities and in which restrictions are often used. I mean church publications. Therefore, it happens that the authorities ban the distribution of some issues of church weeklies or demand that certain phrases be removed from the texts. For example, recently the printing of a statement by the chairman of the Conference of Bishops of the Evangelical Church, Bishop Werner Leich, addressed to Erich Honecker was not allowed. This statement was distributed through intrachurch channels.

[GOSC NIEDZIELNY] Many Poles are observing with certain amazement the process of returning to Prussian traditions, now underway in your country for several years. Prussian militarism has been responsible for many inglorious chapters in our common history. Is this process an expression of searching for roots in the Prussian state, searching for [one's] own identity, or is it a superficial and transitory phenomenon?

[Busse] We are touching on a very difficult issue. We may say that for Germans in the GDR, history in a certain sense began in 1945. The state authorities broke with the past entirely. Pride was taken in the fact that a state governed by the working class emerged for the first time in the history of Germany. In turn, society did not want to recall past annoying events because, on the one hand, it was very painful and, on the other hand, a feeling of guilt or shared guilt for what had happened. In school instruction, world history was treated as if it had begun in 1917 by the October Revolution, and German history—as if Germany had emerged after World War II. For a long time, the entire past was condemned, with definitions such as fascist, bourgeois, etc. being used in evaluations. Historical figures were among the exceptions, e.g., writers about whom it was said that they had dreamt of what became reality in the GDR. An effort was made to eliminate everything that was a reminder of the past, that is to say, also folk costumes, traditions of crafts or markets, and even old houses—the desire was to create everything anew.

Several decades later, a return to old history took place because new generations have grown. I remember the tremendous interest with which the first serials on historic topics broadcast by West German TV were watched in our country a dozen or so years ago. Approximately at that time, they turned to history in both German states. Our history and culture began to be appreciated; it was said that we should only make selections and adapt them to the present time correspondingly. Thus, for many years now they have cultivated traditions of artisan guilds and folk customs. They began to study history again, new books on the time of the empire and of Bismarck were published, interest in Prussia developed. At this point, we should say that the notion "Prussians" does not have the same negative connotation in German as it does in Polish. The German people did not live together with Prussia through Hitler's time alone. After all, old Prussians were members of one of the antihitlerite movements. The failed attempt on Hitler's life in July 1944 was prepared by officers with Prussian nobility and bourgeoisie backgrounds.

[GOSC NIEDZIELNY] What about the issue of the partitions of Poland?

[Busse] This fact is unknown to many Germans. Perhaps, the older generation knows something about this topic, but in school they do not talk about it. I became familiar with this issue only during my studies, when I began to travel to Poland. In our country, they teach primarily the history of the GDR and the workers' movement, and most attention is paid to the Great October [Revolution]. Not much space remains in the textbooks for other issues.

[GOSC NIEDZIELNY] Therefore, we may say that this sudden interest in history is a response to the period of several decades of concealing it.

[Busse] This is what I think.

[GOSC NIEDZIELNY] We have mentioned the time of World War II. In the FRG, they discuss this a lot, organize congresses and symposiums and come to terms with Hitlerism. Even the younger generation asks itself how to go living with a past like this. Many initiatives exist which are aimed at redress and reconciliation. Meanwhile, it appears that the state and society in the GDR do not feel responsible for this tragic chapter in their history and in a way renounce this inglorious heritage.

[Busse] I believe that the state authorities and party leadership have used a selective method in approaching history. As the state propaganda puts it, everything in our country has become new, therefore, there are no advocates of war and war criminals. Meanwhile, it is not true that all soldiers of the former Hitler's army live at present on the territory of the FRG. The issue of refugees from territories once belonging to Germany is also surrounded by silence, something of a taboo. To this day, it is not allowed to say or print in an obituary that someone was born in an area now belonging to Poland or the Soviet Union. These people have been wronged greatly by being deprived of an opportunity to speak publicly—and this is important from the psychological point of view. After all, a person cannot cross out from his biography a certain period of his life with impunity; instead, he should have an opportunity to externalize and digest his past.

[GOSC NIEDZIELNY] Does the population of the GDR feel responsible for Hitler's crimes?

[Busse] I believe that a feeling of guilt exists in our society, though I do not know to what degree and of what scope. However, this matter is not reflected in any way in the mass media. Officially the problem does not exist. I would like to draw attention to two facts. On the initiative of the Union of Evangelical Churches, a collection for building the Hospital-Center for the Health of Children in Warsaw was organized in the GDR. This action met with tremendous interest on the part of

society. About 500,000 marks was expected, but three times that much was collected. The unexpected success of this action was probably caused by people seeing an opportunity to get involved and give aid; it could be that the desire for redress also was significant to a degree. Even earlier, various initiatives, but of a very limited scope, were undertaken by Action Sign of Atonement [Aktion Sühnezeichen]. For the first time, an occasion to provide so much aid happened [passage deleted from original text and replaced with notation: Law of 31 July 1981, "On the Control of Publications and Performances," Art 2 Point 3, DZIENNIK USTAW No 20, item 99, amended in 1983, DZIENNIK USTAW No 44, item 204] This may testify unambiguously to the favorable attitude of the GDR society towards the Poles. The other fact which I wanted to mention here: I know very many people who sent parcels to Poland as early as the time of the legal existence of Solidarity and especially after the imposition of the martial law in Poland. Such aid was not as large as that from Western countries, but it was certainly given wholeheartedly.

[GOSC NIEDZIELNY] Action Sign of Atonement is the only official initiative in the GDR aimed at expiation and reconciliation with Poland. Could you tell us something else about its activities?

[Busse] This is an ecumenical undertaking supported by both the protestant churches and the Catholic Church. The movement consisted of several hundred people, especially young people. In the 1970's, many meetings and retreats were organized. Participants of the movement went to Poland in order to work on building churches, or in the compounds of one of the former concentration camps. After the imposition of martial law in Poland, the movement discontinued its activities and has not resumed them since.

[GOSC NIEDZIELNY] Does the Evangelical Church in the GDR maintain contacts with Poland?

[Busse] So far, we have maintained official relations with churches belonging to the Polish Ecumenical Council. However, I think—and many people are of the same opinion—that we should also establish official contacts with the Catholic Church. Poland is our neighbor, and an overwhelming share of the Polish society professes Catholicism. Establishing mutual relations would provide a basis for mutual meetings, sharing of experience, organizing scientific sessions or, say, engaging in partnership contacts between congregations.

[GOSC NIEDZIELNY] What are the obstacles to establishing such contacts?

[Busse] A petition was submitted to our synod in this matter, but there has been no official response yet. I hope there will be no obstacles.

[GOSC NIEDZIELNY] Discussions and statements on the eventual unification of both German states attract much interest in our country. Has the awareness of a separate national identity begun to emerge in society in the GDR due to the division lasting for almost half a century now?

[Busse] First, let me use an example: someone told me that, when relatives from the FRG visit him, he feels a certain alienation from them, he is aware that they live in a different world. On the other hand, he feels no alienation when his friends visit him. Putting it bluntly: there are differences, many things have taken a different course. However, I believe—and I also say this proceeding from the experience of Polish history—that language and culture are a very important element. A people united by one language and one culture will not be split easily.

[GOSC NIEDZIELNY] However, certain differences have emerged both in language and culture.

[Busse] I am aware that such phenomena occur, but I cannot say how profound their influence is on shaping the feeling of a separate national identity.

[GOSC NIEDZIELNY] What is the view in the GDR of the opportunity to unite Germany?

[Busse] I am not aware of any sociological research on this topic. Probably, it has not been done at all. Certainly, a segment of the populace would like a single German state to emerge, but I cannot say how large a segment and how realistic this is. However, I must stress that many people have difficulty conceiving of this. Besides, voices are heard occasionally saying that in this event Germany would become too strong, and would be able to upset the equilibrium in Europe.

[GOSC NIEDZIELNY] Do changes underway in the Soviet Union influence the situation in your country to some degree?

[Busse] The official position of the government and the party on this issue was outlined by one of the main party ideologists Kurt Hager.. He said more or less the following: "When our neighbor renovates his apartment and puts up wallpaper, it does not mean that we also absolutely have to buy new wallpaper and renovate our apartment." A large segment of the populace is waiting for changes, though from the point of view of economics, the situation in the GDR is better than, say, i.e. Poland or Romania. However, it is known that this state of affairs is the result not only of the work of the entire society and good management, but is also the contribution of our close neighbor who still treats both German states as one entity and provides aid of various kinds. Certainly, a majority of inhabitants of the GDR are waiting for perestroika and glasnost. We also need more truth and an opportunity to make decisions concerning social and individual life.

[GOSC NIEDZIELNY] We have been speaking in Polish. I believe that our readers will be interested to learn how you have come to know our language so well.

[Busse] For 20 years now, I have been travelling to Poland, and I have many friends here. I have been learning about Polish culture and history. I made the effort to communicate with Poles in their own language. I would like to master this language very well, but I am far from it. I know what a native language means and how important good language proficiency is in mutual contacts. I studied the Polish language in the course of life, during meetings and conversations with the Poles.

[GOSC NIEDZIELNY] Thank you for the interview.

Role of Dissident Church Groups Discussed

23000076a Schwerin MECKLENBURGISCHE KIRCHENZEITUNG in German 18 Dec 88 p 1

[Unattributed Article: "Dissident Groups in the Church—Excerpts from the Church Directorates' Conference"]

[Text] The Lutheran Church directorates' conference began its special session on December 3 with a status report given by Bishop Dr. Christoph Demke. In his speech, Bishop Demke reported on a discussion in Eisenach on November 29 between the State Secretary for Religious Affairs, Kurt Loeffler, and the Lutheran bishop of Thuringia, Dr. Werner Leich. Among other things, it was made clear that there was no current interest on the state's part in holding informative detailed meetings on topics suggested by the church. First there must be a calming down period between the church and the state. After that, these talks could be reconsidered. Bishop Demke further stated that the church must draw some conclusions from the current situation. This means, among other things, an exact observance of what lies within the domain of the church. At this moment, precisely because of the pressure of increasingly spreading "actionism," the gospels must be presented and meditated upon. It was further determined in the conference that the church's mission of the theme "Peace, Justice and Preservation of the Creation" had taken a new dimension. This could not be allowed, however, to lead to a situation where the gospel is just being pushed in order to address sociopolitical problems.

The main theme and cause for the conference special session was the agenda item "Church and Dissident Groups." A large volume of material on this subject was presented to the conference, such as the Church and Society subcommittee's elaboration on the theme of "The Church and Peace Groups," the Human Rights work group's discussion paper titled "On the Relationship between Church and Dissident Groups," and positions of the member churches on this subject.

Pastor Curt Stauss began with an overview of dissident groups in the church. Among other things, points of emphasis, relationships between dissident groups, structure and average membership of the peace, environmentalist, international, and women's groups were discussed. In his observations and theories, Stauss determined that the church has always had special kinds of organizations. Yet the dissident groups being discussed today are something different. This is apparent in different ways, such as in the integration force of these groups in which women and men of different ages and various social backgrounds, Christian and non-Christian can be observed together. They throw out an array of questions; questions about the openness and integrating ability of the church, about the organizational structure of the parishes, about the world responsibility of Christians and about the ability of members to cooperate with lay movements.

In the follow-up discussion, aspects were identified which would have to be incorporated into further negotiations on this subject; for example, the tension between legality and legitimacy. How will this tension be overcome, to accept the challenge of society and nevertheless stay true to our center, the gospel? The influence of dissident groups on the parishes is just as fundamental as the question whether provocation with force is already force.

Protestant Church Declares Position on Human Rights

23000076b Schwerin MECKLENBURGISCHE KIRCHENZEITUNG in German 18 Dec 88 p 2

[Unattributed Article: "Human Rights are also Always the Rights of Others—Vote of the Conference of Lutheran Church Directorates"]

[Text] On December 10, the 40th anniversary of the signing of the Joint Declaration of Human Rights by the General Assembly of the United Nations, the Conference of GDR Lutheran Church Directorates took a vote. The text unanimously approved on December 3 reads as follows:

"With the barbarity of fascism and the fearful results of the second World War fresh in their memory, the United Nations General Assembly announced the Joint Declaration on Human Rights on December 10, 1948. Forty years ago, the member nations together recognized the 'dignity of each member of the human family, and their equal and inalienable rights.' Their recognition forms the basis of freedom, justice and peace in the world.

"The declaration calls the peoples of the world to place their community on a new foundation, with which 'man, free from fear and need, is granted freedom of speech and religion.'"

This mission requires, now more than ever, the common effort of states and their citizens. Beyond the Joint Declaration on Human Rights, the international conventions on economic, social and cultural rights and those on political and citizen's rights and the Helsinki Human Rights Accords, have acquired decisive significance for that mission. In its role in the ecumenical Christian community, the Federation of Lutheran Churches in the GDR has become conscious of its responsibility for human rights. The East German Lutheran Church owes its cooperation in ecumenical matters to insight into the universality and interdependence of human rights and in the permanence of basic rights. Human rights must be embodied in the interweaving of its social, individual and participatory dimensions, if their realization are to be promoted as principles of thought and behavior for a just coexistence of people and nations on national and international levels.

Recognition of these facts guides the Federation of Lutheran Church in its stance for the realization of human rights. From their experience in theological work, help in ethical orientation and pastoral assistance, the Conference of Lutheran Church Directories, on this 40th anniversary of the Declaration on Human Rights, recognizes the following findings as binding:

- The involvement of the Church for human dignity and human rights is based in the acceptance of man through God in Jesus Christ.
- Individual and social human rights must not be played against each other. They belong together and determine each other.
- Human rights are always also the rights of others.
- These basic rights of all people cannot be violated: the right to life; the right to personal dignity; the right to cultural identity; the right to participation in decisions within the community; the right to have a different opinion; the right to religious freedom.
- A balance between rights of the individual and the rights of the community is thoroughly justified, but the basic rights may not be touched.
- Tolerance is the guiding principle for the realization of religious freedom, of freedom of conscience and faith, and freedom of thought.

Human rights are not just established once for all time. Their realization comes through a process of cooperation in partnership. Christians and the Church participate in that effort under the guidance of the gospels. The conciliatory process for justice, peace and the preservation of the creation remind them once again of their mission to work for the realization of human rights.

"The fruit of justice will be peace." (Isaiah 32:17)

East Berlin, December 3, 1988.

Bishop Discusses Church-State Relations

23000088 Schwerin MECKLENBURGISCHE KIRCHENZEITUNG in German 8 Jan 89 p 2

[Interview with Land Bishop Werner Leich by Stefan Berg: "All Members of the Community of Men Share Responsibility for One Another;" date and place not given]

[Text] At yearend, Land Bishop Werner Leich, chairman of the GDR Conference of Evangelical Church Leaders, answered questions about the religious and societal situation of the Christians in the GDR.

[MECKLENBURGISCHE KIRCHENZEITUNG] In 1986, the Evangelical Christians in the GDR considered the issues of responsibility for peace and the world and for justice. They did so jointly with the Christians of the Catholic Church and free churches as part of the conciliatory process. Have Christians, has the church, become more political this year?

[Leich] Before addressing the first question, I would like to say a few words about the 30 November 1988 Regulation on Foreign Travels by GDR Citizens, published on 14 December. This regulation has attracted much interest. Few hours after its publication, all newspapers carrying reprints of the regulation, had been sold out. To me this was the visible beginning of an endeavor that may lead to good results. We are seeking to establish a dialogue with citizens who are competent to make a decision. Whenever applications are turned down, the applicants must be informed. The legal reason for the rejection must be stated in writing. The regulation provides for possible legal recourse in the form of a complaint. It leaves the possibility of a legal review of the denial open and spells out the conditions under which the application may be resubmitted. No decree and no law can be expected to regulate all human needs. Every legislator is bound by circumstances to put it into effect. If he disregards them, he undermines the laws he himself laid down in that he is unable to comply with what he himself legislated. For those who have no relatives in the FRG and cannot travel as a tourist, the problem persists. How about our travel opportunities? I hope the law will be applied in the spirit of the commentary in NEUES DEUTSCHLAND. According to that commentary, the new regulation—unlike the old regulations—is designed to expand and facilitate the tremendous increase in tourist traffic. While I understand the reference to the economic burdens, I do hope that the decree is to facilitate travel under normal conditions and to turn down travel applications in exceptional cases only. These are only some incidental remarks in the political area.

At the present time, the equitable distribution of wealth throughout the world is the major goal of all church actions. This objective is based on the principle that all

of mankind belongs to one large family and that all people share responsibility for one another. Those who acknowledge mankind's God-willed family status expect the members of that family to be able to visit one another across state boundaries.

But now I would like to address your first question. The ecumenical meetings on "Justice, Peace and the Preservation of Creation" are the clearest demonstration of the conciliar process taking place among us. Like us, the Roman Catholic Church in our country and the participating free churches take a positive view of this process. Joint Christian church services are being held across confessional boundaries. Based on apostolic tradition, they are praying and working together, they are asking questions and searching for answers to key issues of our time. To see that happen, enriches us and brings us a small step closer to the oneness of Christianity. Already now, prior to the third final ecumenical conference in our country, I consider this a very favorable development. The more emphatically we Christians acknowledge our faith, the more visibly it will touch all aspects of our lives. These are political in nature. We must guard against confounding church responsibilities with those of the state, regardless of whether we agree or disagree with one another. Only the church has been entrusted with using the Word in its efforts. God did not want the church to have any political power, not even for indirect use. That power has been entrusted to the state. We believe that neither the church nor the state should make arbitrary use of what is entrusted to them. They administer that trust for mankind and are accountable to God. I would not say that the Christians and their church have become more political last year. However, we have become more aware of the effectiveness of both God's word and the sacraments in all areas of our present time. I welcome this.

[MECKLENBURGISCHE KIRCHENZEITUNG] Dr Leich, you met with State Council Chairman Erich Honecker this year, that is 10 years after the state-church dialogue was held on 6 March 1978. You also met twice with government representatives to discuss problems relating to the church press. What developments were there in the state-church relationship in 1988?

[Leich] State-church relations depend on dynamics that cannot be compared with a straight line. Our church is solely bound to the promise and order of our Lord. It cannot be part of a common social and political philosophy or goal. This, by the way, applies to any state or social order, if the church is serious about its reason for existing. The church views all vital issues in light of God's revelation. The chairman of the State Council and his party are looking at all vital questions from the viewpoint of their political philosophy. Since we are bound in our opinions to different loyalties, we may agree, but we may also differ, even conflict. The course of our present history is determined by our agreement or differences. The important thing is that respect for both our convictions and the other person remain unscathed.

Whatever the issues may be, a successful dialogue depends on keeping human relations intact. It is this intactness and this dialogue that we are striving for. I am convinced that the state as well as the church will continue to pursue that path.

[MECKLENBURGISCHE KIRCHENZEITUNG] At its Dessau conference, the GDR synod emphasized that existing questions be resolved through discussions, i.e., the dialogue. What can Christians do to promote this dialogue?

[Leich] Actually our congregation members are the ones who are responsible for the dialogue. Whatever is said at the management level must always reflect the situation of our congregation members, and the dialogue participants are accountable to them. This is why Bishop Schoenherr said at the time that in essence state-church relations are as good as the individual Christian perceives them to be. The congregation members affect the dialogue in a positive way by faithfully attending church and leading their daily lives in accordance with their religious faith. They enhance the dialogue by addressing openly and attractively those issues in their area, their place of work, family and among their friends and in their leisure time those activities that are of concern to us Christians. I believe it is important not to use our ideas to attack our dialogue partners, but to ask for their understanding. In return, they expect us to be willing to give serious consideration to their explanations.

[MECKLENBURGISCHE KIRCHENZEITUNG] "Living Together as a Congregation," that was the title of the synod, and very different experiences were brought up for discussion. In view of the fact that the situation in our congregations is so different, can we really still speak of the congregation?

[Leich] Unless we can speak of the congregation, we do not need a synod or any other supracongregational, unifying organization. We would have only separate, independent congregations. I have the impression that in our congregations there is a growing certainty of, and yearning for, belonging. We all have one Lord and one force for living as a congregation. The regulations of the GDR Alliance of Evangelical Churches say so very explicitly. They read, "The goal of the Federation as a union of member churches, bound together by their common faith and being legally independent, is to grow together in the unity and community of Christian evidence and service, according to the teachings of Jesus Christ." Of course, there are differences in the circumstances under which congregations accomplish their work. They then do whatever their particular situation requires. They also provide different answers to the special problems of our time. But the common tie to our one and only Lord and His work among us deals with and mediates all differences.

[MECKLENBURGISCHE KIRCHENZEITUNG] An increasing number of people in our congregations and churches are expressing their hopes and fears. But many a congregation, this seems to be too much to handle. To what extent are our congregations able to integrate?

[Leich] Basically this question cannot be answered in theoretical terms. Each Christian has to pose that question in his own congregation and see to it that, to its members, the community of Jesus Christ becomes their home and provides the security they are looking for. Our pastors and their colleagues—both men and women—are largely responsible for the ability of their congregation to integrate. At the Dessau synod, the congregation members kept repeating one request: the pastor—man or woman—should be personally close to their congregation members in their daily lives and that they come and visit. A congregation that provides both a home and security is attractive to the outsider. It becomes a missionary congregation. The key to the ability of a congregation to accept people, to integrate them and care for them is simple to describe: the stronger the congregation's ties are to Jesus Christ, the closer are the ties among its members, and the more willing the congregation is to accept outsiders. "God is close to us all," our motto for this year states. With these words I want to greet all congregation members of the Alliance of Evangelical Churches in the GDR and welcome those who want to find God.

Western Report on Demonstration in Leipzig
23000090 Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 18 Jan 89 p 3

[Article by Monika Zimmermann: "Among the Worshippers There Are Many Who Want To Stay. Peace Prayer at Leipzig's Nicolai Church"]

[Text] A feeling of helplessness permeates Leipzig's overcrowded Nicolai Church, where several 100 people gather every Monday afternoon to pray for peace. They do not know what to do in face of the highly explosive situation: Should they call for concentrated action, although everyone knows and learned from personal experience the day before what risks this would involve, or should they urge everybody to keep quiet? The pastor, who is holding the church service, does not even pretend to have a solution, recalling instead one of the Bible passages that ask questions rather than provide answers—particularly no answers to the question: How political may or must the church be in this state? Jesus once said, "Render unto Caesar that which is Caesar's, and unto God that which is God's." What does this mean for the Christians in the GDR?

For many years, "peace prayers" have been held every Monday at 5 p.m. in Leipzig's Nicolai Church, next to the university. However, that Monday many things are different: Not only were there many worshippers who want to leave the country and now are not sure how to interpret the new regulations, but many were arrested the

day before, in spite of the fact that they want to stay. They were interrogated and then let go, but they now are very intimidated and frightened—and that was probably the purpose of this massive state interference. On Sunday, when hundreds of people met in front of the Leipzig townhall for a Liebknecht-Luxemburg demonstration in order to present their own views in response to the official festivities in East Berlin, the state did not hesitate. The police arrested 91 persons, and by so doing reacted in the same or even less sensitive way than a year ago at the same occasion in East Berlin. Even before 15 January, the anniversary date and official memorial day of Karl Liebknecht and Rosa Luxemburg, some 11 people were arrested in Leipzig, because of their alleged involvement in a flyer calling—with references to Liebknecht and Luxemburg—for the democratization of the GDR.

The announcement at the church peace prayer on Monday that three of the 11 detained persons had been released was unable to calm feelings because of talk that another arrest had been made. Also, all attendees know that release does not yet mean "freedom." The peace prayer attendees registered their gratitude for the fast dissemination of news concerning the Leipzig incidents and for reports from all parts of the GDR that prayer services for the arrestees had been held. Because the only way of helping those people in the GDR who protest the existing situation and hence quickly come into conflict with the power of the state, is solidarity—and publicity. That, of course, is much more difficult in Leipzig and all other places in the GDR than in East Berlin, which is close to the West and where, for instance, Western media correspondents are present to cover anything on which not a single word can appear in the GDR media. For that reason, there was little known in the past about the activities of the civil rights and protest movements in Leipzig and elsewhere, although they obviously are as active as those in East Berlin. But it is difficult for them to attract attention because they are at the mercy of state despotism and almost without the protection public knowledge could provide.

Another example of GDR press reaction to the activities of these protest groups appeared in the FDJ newspaper YOUNG WORLD. "What happened in Leipzig?" It asked provocatively in its Tuesday edition as if it was planning to address the incidents. The subheading even described what it is about: "A Special Way of Honoring Karl and Rosa." However, whoever hoped to read in the article about what happened in Leipzig was disappointed. The report was on a FDJ function, staged in a Leipzig movie theater on Sunday, honoring the 70th anniversary of the death of Karl Liebknecht and Rosa Luxemburg. Not a single word about what really happened in Leipzig at the very hour excerpts from the RED FLAG were read in the Capitol movie house and the youth brigade reaffirmed its belief in the revolution: How mercilessly those people were treated who wanted to honor "Karl and Rosa" in a special way, independently from the state. In view of existing conditions in

the GDR, which again and again become drastically clear in the course of such events, the reason for the growing feeling of helplessness is easy to understand. Surprisingly, this helplessness apparently does not lead to inaction. On the contrary.

POLAND

Dismay Over 'Weak' Party, Its Role Discounted
26000252b Warsaw ZYCIE PARTII in Polish
No 23, 16 Nov 88 p 19

[Text] Zygmunt Rola writes in GAZETA POZNANSKA: In our basic organizations there are many old and genuinely worthy people who piously keep in their drawers their Polish Workers Party (or even earlier) membership cards, and in their memories that old enthusiasm for affairs of the worker, the people, and faith in the power of the socialist idea. Nevertheless, that faith and those merits are another test. So when I hear that the party is now weak because it must share positions, invite discussion and persuade us of the rightness of its causes, while once—as you know—the order had to be and basta, I cannot help but think where someone who talks like that is coming from and where he is going. Dreaming about a return to "those good times," what would he want to relive? How would he make us happy?

So a dispute that is not at all academic is born: What does a "weak party" or "strong party" mean? What kind of power must an organization of several million people have to effectively guide the affairs of the state and lead the people. Are public authority and universal support crucial to its goals and the means of achieving them, or is pressure enough, against which it is better not to raise one's head because it might be lost?

Talking now about the need for continuation ("the same party") and the introduction of necessary changes, emphasizing that that same party cannot be as it once was, we think about the reasons for ossification both in the realm of ideas and structures as well as forms and methods of work, hence about the genesis of our contemporary problems. The party's privileges, its attainment of a monopolistic position in many areas of life, have produced—as it turns out—its identification as an institution of the state, and it was this that caused the gradual

disappearance of the supervisory function of the party, governing the government, the administration and paralysis of their initiatives. The transformation in practice of democratic centralism into extreme centralism, e.g., relentless subjugation of party members, basic organizations and lower level units of executive authority, which should be controlled by higher level units, led gradually to incapacitation of rank and file party members. Anticipation of recommendations "from above," of instructions, of assent in almost every matter, has its sources precisely here. Structures defined "once and for all" in the Stalinist model of the "new type of party" also stiffened the PZPR, and here too formalism and mistrust, along with the expansion of the bureaucratic apparatus, which began to control not only the activity of the rank and file party members but society as well. The party was to be a monolith and so every impulse of independent thinking became dangerous to the apparatus.

Could such a party, which emerged as a result of the processes mentioned as examples, composed of individuals deprived of initiative, constitute a force capable of captivating an educated nation, millions of people with a great sense of freedom of thought? What did the discarding of party membership cards at the beginning of the 1980's prove? The power or the weakness of their basic organizations, of the entire party?

So if today it is said in and about the party that it is not always and everywhere keeping up with the changes it initiated, if we ourselves are coming to the conclusion that we cannot effectively implement our own decisions, one cannot fail to ask about the scope of responsibility for this state of affairs those who, while lamenting the party's weakness, advise drawing models from the past when apparently it was all: discipline, competence, consensus and uniformity of the rank and file.

The party document so many would like to forget—the report of the PZPR Central Committee commission examining the causes, course and effects of crises in postwar Poland—leaves no doubts or illusions. It was irresolution in times of conflict by that party, whose power is being discussed by advocates of old orders, that caused the growth of conflicts that are appearing just now with such force.

GERMAN DEMOCRATIC REPUBLIC

Ministers Promote 1989 Industrial, Consumer Goods Production

23000097 East Berlin *TRIBUENE* in German
3 Jan 89 p 1

[Text] Collectives in combines, factories, and installations of the republic ensure plan fulfillment from the first work week in 1989. In talks with leading Party and trade union functionaries, workers reported on Monday how they want to contribute with their competition initiatives to implement economic strategy. It was discussed jointly how the course of unity of economic and social policy is being continued with the motto, "High performances for the welfare of the people and for peace—Everything for the implementation of the resolutions of the 11th SED Party Congress—Onward to the 40th anniversary of the GDR!"

The following participated in the talks at work collectives: the members of the presidium of the federal board of the Free German Labor Union Federation [FDGB], Horst Heintze, secretary, at the VEB Elektrokohle, Berlin; Lothar Lindner, chairman of the central board of the construction-wood industrial labor union, at the large-scale construction site Berlin-Friedrichstrasse; Guenter Mueller, chairman of the Gera bezirk board of the FDGB, at the Poessneck Karl-Marx works; Werner Oertelt, chairman of the Halle bezirk board of the FDGB, at the Ammendorf plastics works; Ernst Schladitz, chairman of the Magdeburg bezirk board of the FDGB, at the Magdeburg armature works. In addition, the following also participated in discussions with workers: Gerhard Mueller, Politburo candidate and first secretary of the Erfurt SED bezirk office, at the Eisenach automobile works; Dr Gerhard Beil, minister for foreign trade, at the foreign trade enterprise Heim-Electric, Berlin; Dr Manfred Bochmann, minister for geology, at the VEB Geophysical Equipment Construction, Storkow; Gerhard Brika, minister for trade and supply, at the CENTRUM department store at Alexanderplatz, Berlin; Werner Buschmann, minister for light industry, at the VEB textile combine Cottbus, parent company; Prof Dr Karl Gruenheid, minister for glass and ceramics industry, at the VEB Secondary Raw Material Procurement, Dresden; Dr Rudi Georgi, minister for construction of machine tools and processing machinery, at the VEB Mikromat, Dresden; Wolfgang Junker, minister for construction industry, at the VEB Cement Works, Ruedersdorf; Horst Kaminsky, president of the State Bank, at the savings bank Antonplatz in Berlin-Weissensee; Erhard Krack, mayor of Berlin, at the concrete works Gruenauer Strasse of the housing construction combine Berlin; Dr Ing Hans-Joachim Lauck, minister for construction of heavy machinery and equipment, at the VEB industrial works, Karl-Marx-Stadt; Felix Meier, minister for electrical engineering and electronics, at the VEB Stern-Radio Berlin, section Weissensee; Dr Ing Kurt Singhuber, minister for ore mining, metallurgy and potash, at

the steel hoop combine Eisenhuettenstadt; Gerhard Tautenhahn, minister for construction of general machinery, agricultural machinery and vehicles, at the VEB special vehicles, Berlin; Dr Udo-Dieter Wange, minister for district managed industry and foodstuffs industry, at the VEB writing tools, Singwitz; Dr Guenther Wyschofsky, minister for chemical industry, at the VEB tire works, Neubrandenburg.

The Ruedersdorf cement works daily supply thousands of tons of construction material for housing and industrial construction in the capital. More than one-fifth of the republic's cement production comes from this important enterprise of the construction material industry on the outskirts of Berlin. At factory 4 with its mighty rotary tubular kilns for cement production, Minister Wolfgang Junker spoke with plant drivers who want to further increase production in 1989 and make the plant more efficient. In the control room of the raw grinding installation—one of which produces with computer assistance—where the raw materials lime, sand and rust slag for raw meal production are steered and controlled, Brigadier Walter Bueschenfeldt affirmed that the cement workers will reliably fulfill the high goals of 1989.

In 1989, new and further developed products will constitute 38 percent of the production of the Singwitz VEB Writing Tools "Markant." The collectives thereby continue performances which last year provided 140,000 additional fountain pens for schools, ballpoint pens and felt-tipped pens. On the first work day of the new plan year they started the trial production of long-life and large-size refills; in the morning they informed Minister Dr Udo-Dieter Wange how, with the aid of new and highly effective technology, the Spitzenbehaelter for writing fluid as well as Abschlusstifte and Schaltkronen, respectively, are assembled automatically and their quality is constantly controlled.

[Caption] The first batches from the metallurgists of the converter steel works in the Iron Works Combine East arrived on the first day of January. The goal for 1989 is 5,000 tons of raw steel above the plan. At the open-air storage, the semi-finished products are signed and prepared for shipment.

[Box, p 3]

- Further cement production efficiency in Ruedersdorf in 1989
- Writing tool workers aim for renewal rate of 38 percent
- Trial production of long-life and large-size refills begun

Growth of Limited Private Service Industry

Detailed

23000084 Frankfurt/Main *FRANKFURTER ALLGEMEINE* in German 4 Jan 89 p 12

[Text] Ke. Berlin, 3 January—More than 10 years ago the rulers of the other part of Germany began to rediscover their love for handicraft. The growing demand for

individual service and repair work, coupled with the inability of state enterprises to come even close to meeting that demand, forced economic functionaries in the early seventies to reconsider for the first time their previous policy of abolishing privately-owned means of production even in the craftsman's trade. Tolerance for the exception turned to outright official promotion. In the meantime, it has become quite fashionable in the GDR for leading community, county and district functionaries to show off with the performance of private tradesmen in front of visitors.

Statisticians can, as a matter of fact, point to a clear revival of this economic branch over the past 16 years. For instance, just between 1972 and 1986 the turnover of handicraft establishments in the GDR increased by about 50 percent from 13.5 to 20.8 billion marks. Out of the GDR's total labor force of more than 8.9 million workers, barely 5 percent or about 430,000 workers are employed by nearly 84,000 trade establishments. Even in such a district as Cottbus, in which—due to traditional factors as well as to today's predominant economic role of open-pit brown-coal mining and the power industry—the proportion of craftsmen is still relatively small, 77 percent of repair and service work for the people are performed by almost 4,200 handicraft establishments with 18,000 employees.

In districts with a pronounced handicraft tradition, among which the Karl-Marx-Stadt (Chemnitz) district in the southern GDR—followed by Dresden and Leipzig—is in the lead, the proportion of such services is considerably higher still. Here, about 85 percent of repair and service work for the local population is performed by more than 13,800 establishments with about 67,000 employees. Moreover, the artisan trade in this district, with its wood turners and carvers—which have made the Erz Mountains famous for their toys and fancy products—its lacemakers, weavers and musical instrument makers, has great significance for the national economy. These artisans are, after all, probably responsible for an estimated 900 million of the district's 3.3-billion mark turnover by the handicraft trade, which is 15 percent of the total turnover for the handicraft trade in the GDR. Thus, according to information released by the Karl-Marx-Stadt Chamber of Handicrafts, 1.8 billion marks of this amount come from local service work and about 600 marks million from construction work.

There can be no question that the economic leadership of the GDR is actively promoting the growth of the handicraft trade. For instance, a young master craftsman, who becomes independent today, is exempt from paying any taxes for the first 2 years. Incomes up to 10,000 mark also remain tax exempt in the future for private businesses. All individual master craftsmen are subsequently taxed at merely a favorable flat rate. Also added are subsidies for apprentice training or export work as well as favorable credits from cooperative financial institutions created especially for this purpose. While one type of the private handicraft trade, the

"Production Cooperative for Handicrafts," frequently handles the sale of its products and the procurement of materials and machines directly, individual businesses are assisted in these efforts by purchase and sales cooperatives, which they support.

However, all of this cannot obscure the fact that the status of the private craftsman in the GDR is in no way comparable to that of his colleague in the Federal Republic. Nor does the promotion of private handicraft establishments—whether in the form of a production cooperative or the business of an individual master craftsman—indicate the beginning of a change in the GDR's economic system. In view of "perestroyka," the remarks of GDR economic functionaries concerning their handicraft trade policy rather serve to protect themselves against the reform zeal of their socialist neighbors. Not insights but urgent needs inspired them. Consequently, the actual latitude allowed such a craftsman is correspondingly small. The economic plan determines the type and composition of production as well as the supply of materials and capital goods. Official wage scales control hourly wage rates to be charged. Prices have to be approved by district authorities or, respectively, by the "Office for Prices."

Even the supply of needed new trainees is subject to the laws of the planned economy. Those departing the school system have the option of becoming professional craftsmen only after the planned quota for industry and other areas, judged to be more critical to the national economy, has been filled. That usually leaves no more than four to six percent. In view of all these controls and restrictions it is hardly surprising that even the private craftsman in the GDR cannot approach the effectiveness and productivity of his colleague in the Federal Republic.

Whereas in the Federal Republic handicrafts, with a turnover of 353 billion Deutsche marks, contribute 20 percent to the total turnover of the manufacturing trade, in the GDR they only contribute less than 5 percent. A turnover of 100,000 Deutsche mark per employee, compares to a turnover of barely 50,000 marks in the GDR. The demand, meanwhile, is enormous. A goldsmith who has been telling his customers since the beginning of the month [January] that he could not accept an order before February, is anything but an exception. In a capitalistic system such demand would be a strong investment and employment stimulus. But not in the GDR, for the planned economy prevents this shortage from providing the needed profit incentive. Thus, to the dismay of officials, there is still a shortage of, for instance, bakers, cobblers and tailors.

Official Discusses Measures To Reduce Water Pollution

23000086 East Berlin SONNTAG in German
15 Jan 89 p 8

[Interview with Jurgen Huck, director of Water Resources, Upper Elbe/Neisse, by Stefan Kelch: "Lots of Clean Water?"; date and place not given]

[Text]

Elbe Clean-Up Project

Conversation with Jürgen Huck, Director of Water Resources, Upper Elbe/Neisse

[SONNTAG] For the first time, the National Culture Union's "National Culture Days" were held in Dresden. Many talks were less of a discursive nature and more of an informative nature. Taking the forum on "problems surrounding keeping our water clean" as a point of departure, I think we should turn our attention in particular toward the Elbe clean-up project. What is your assessment of the situation regarding the condition of the water in the Upper Elbe region at the present time?

[Huck] As a manager of water resources, the only point of departure my thoughts can take is one involving a complex view of the Elbe. Whenever I talk about the Elbe, I begin with the user rights of its consumers. And when it comes to that, the Elbe is not only a primary reservoir for recovering drinking water and water that is used in various ways; it is also of interest to its surrounding countryside as one of the most beautiful recreational areas and as a source of sporting opportunity. In all areas of use, the burden placed on the Elbe grows at a steady pace. As far as drinking water is concerned: So far we have been able to meet our needs to provide drinking water that meets the necessary requirements without too much difficulty. The Dresden water supply district consumes approximately sixty million cubic meters annually, 50 percent of which we must supply from on-shore filtration stations out of the Elbe. We are confronting the following situation: Elbe water is polluted in particular by the introduction of high concentrations of organic substances from the pulp industry in Pirna, by waste water from the Dresden pharmaceutical plant, and by the municipal effluent from the City of Dresden. Meissen and Riesa do not have water purification plants that meet their needs, and in any case, the Elbe is already dirty when it comes from Czechoslovakia. Beyond the border, near Schmilka, it exhibits class 3—that is, water that is still usable—as far as its content of organic material is concerned. Near Dresden, its rating is 3 to 4, or usable under certain conditions—and near Muhlberg, where it leaves our area of responsibility—it is ranked at 4 to 5. The latter means unsuitable for most uses. At low water in the summer, depending upon the meteorological conditions and the hydrological situation, these organic substances can bind the water's entire oxygen content. Thus it becomes clear that from the point of view of the claims consumers make upon the river, its value as a recreational is—quite apart from the Elbe as a swimming possibility—simply not there, and its value as a body of water for sport, is simply non-existent. Biologically the Elbe is thus under a heavy threat. In terms of fish, the Elbe offers shelter to everything that swims in Central Europe, but the water is so polluted that the fish have to be caught and transferred to other waters, but pollution is increasing there as well, so that trout, for example, can be raised in fewer and fewer places.

[SONNTAG] The decades of fines and appeals to the environmental consciousness of factory directorates, but also on the population at large, did not have the expected results. Those voices that have been raised for years against irresponsible tolerance on the part of officials, seem to be right: one day the lack of continuity will have to be compensated for by means of drastic action. What concrete measures have been taken?

[Huck] In order to secure water use rights for the future, the Elbe needs a concerted clean-up. Based on a resolution passed by a ministerial council dated October, 1983 to "increase water use in the Upper Elbe region of Pirna-Dresden-Riesa", funds in the amount of a million marks are to be allocated. In using these funds, we assume that it is not the technology of water purification that has to be brought up to first-rate status, but rather the technology dealing with prevention of noxious emissions into the water. By 1990, an evaporation and incineration facility for lyes that now find their way into the Elbe in an unfiltered state from the cellulose plant in Pirna-Heidenau must be constructed. By 1992, the reconstruction of a fodder yeast factory and a facility for the recovery of valuable material should be concluded at this plant. The completion of a street of washing filters by 1992 is dependent upon imports. To answer your question: everything has been running according to plan to date. We can rely on the necessary investments. A recovery facility for nickel and copper is scheduled to be installed in the VEB Solidor plant in Dresden. In the Freital leather factory, the pollution from the waste water should be reduced by the recovery of chromium by 1990 and the elimination of fats by 1992.

One of the largest projects is the completion of the reconstruction and expansion of the Dresden-Kaditz mechanical water purification plant and the construction of a biological purification treatment plant. This is the most important purification plant for the treatment of municipal waste water from Dresden and Freital and pretreated waste water from the pharmaceutical plant. It is projected that by December 1990, the first stage of the expansion should go on-line. That is of enormous significance when it comes to the improvement of the water in the Elbe as a whole, and it means an increase of biological purification capacity of 215,000 cubic meters per day. In this instance, too, everything is going according to plan, with a minimum of construction-related delays. Yet another task is the expansion and reconstruction of the waterworks to stabilize the water supply. We are dealing with a considerable degree of obsolescence in this regard.

[SONNTAG] In this way, it is hoped that the edicts concerning bottled water that are so feared by the people will become a thing of the past. Are these planned measures in keeping with the actual requirements? What would the Elbe look like once it was cleaned up?

[Huck] Once these measures were put into effect, the Elbe would be clean. It would then be a stable class 3 river—that is, its water would be suited to most human

uses—throughout the entire Upper Elbe region. In future the user of the water would not only be able to meet his needs; maintaining the river's cleanliness would be guaranteed.

[SONNTAG] Is this classification 3 an international standard?

[Huck] These classes are standard in the GDR. Based on the determining criteria for quality classification, quality class 3 suffices to meet use standards on the Elbe.

[SONNTAG] And when it is compared with international standards—is it a high one?

[Huck] We are about to take a step which will be of exceptional significance for the future of our natural environment and for our lives within that environment.

[SONNTAG] What would be the result if the project were not completed on schedule, or if it were only partially implemented?

[Huck] Not much damage would be done over a period of just a few years. The situation I just described would continue to deteriorate. Supplying drinking water and meeting other needs would become more and more difficult, and severe damage would be done to the ecosystems. We would have to find other means of obtaining drinking water. For example, we would have to extend overland pipelines from the Cottbus region, and tap the groundwater reserves of the Saxon chalk formations. The cost in terms of additional investment and energy would be markedly higher than that required for the Elbe cleanup project. It would be indefensible. I am not in a position to assess the ecological impact in a concrete way. In any case, all other efforts to raise the water table, not only in the Upper Elbe Valley, but elsewhere, would be fruitless if the Elbe cleanup campaign were a failure.

[SONNTAG] Are there any guarantees for making the Elbe cleanup project a reality?

[Huck] The good faith on the part of the factories with regard to the investments that would have to be made.

[SONNTAG] The romantic desire that some sort of future for this earth includes abundant amounts of pure water is something that surely belongs to the realm of fantastic dreams, but what the chances of decreasing the need for potable water and preventing avoidable losses do you see?

[Huck] Analogous to the rational use of energy is the rational use of water, because we have only a finite amount of water at our disposal. In our region of the Elbe, ten billion cubic meters of water flow annually from Czechoslovakia, and an additional billion is the result of precipitation. From the standpoint of water management experts, it is only realistic to base water

budgeting on a low level of water. At that rate, only 30 percent of the water quantity can be counted on. In order to reduce the need for water, repeated use, water-less technologies for cooling purposes, closed systems, and particularly drastic improvement of the technological condition of the main systems are necessary. Plants must consider where they can dispense with potable water whenever used water would suffice for their production.

[SONNTAG] How can the waste water burden be lightened?

[Huck] By the construction of filtration plants and other types of purification plants and other technologies which make recovery of usable products possible. But there again the problem of investment possibilities for the plants appears. I have already said that it is important that harmful substances not even find their way into waste water. That is the only realistic concept for gaining control over the total situation of protection of the waterways.

[SONNTAG] Perhaps we should say a word about standing water at this point because it is a fact that 50 percent of Dresden's drinking water comes from catchment basins.

[Huck] These waters also require certain protection. Above all, it is important to adhere to the conditions for the three established protection zones to the letter, in order to prevent the illegal introduction of fertilizers or pesticides into the water. Unfortunately, we must deal with serious shortcomings of a subjective kind that begin with instruction and logical information on the part of the leaders.

[SONNTAG] At the forum the necessity of dealing with water as a component of a unified and definite plan at all levels of the national economy was addressed.

[Huck] In 1989 for the first time, there will be a special component at all planning levels, "rational use of water". In this way, calculations can be made concerning dealing with water—and above all, they can be controlled! To date the best we could hope for was that the factories planned their water consumption in accordance with predetermined projections, then consumed accordingly.

[SONNTAG] In order to make the Elbe cleanup and other projected improvements in the area of water a reality, we must start with rethinking processes as the precursor of investment. Someone at the forum said—I think it was your deputy—that management cadres possess, and indeed of necessity must possess, split personalities: On the one hand, from the standpoint of their private lives, they are exposed to water, which their factory probably helps to pollute, on the other hand, there is little leeway, as you have already pointed out, for classifying ecological necessities.

[Huck] I would like to call attention to the fact that the problems we are addressing here are not only dependent upon conscious processes and those material and financial requirements that have already been mentioned, but also on technologies and scientific knowledge; and there are gaps in all these areas. Consciousness of the environment in itself will not bring about any of the urgent changes. Solutions make sense only in a complex way. But to return to your question. In general, plants are reacting in a more and more positive way to us. Once upon a time, people said: "If you want to eat an omelette, you have to break a few eggs." Or: "What do you want to write on if I do not force the issue of pulp production?" Today the plants are trying to include our requirements in their planning, to whatever extent it is possible. In addition, we make use of our system of economic regulations in a logical way: Water use fees, waste water taxes, waste water piping taxes; the latter was just recently raised.

[SONNTAG] Until such time as sparing use of water is considered good manners, what role does your operation play in terms of influencing the user's consciousness?

[Huck] First I would like to address the factories, then add something about the general population. We have two possibilities. The first is exerting a constant influence by means of training programs, instructional programs, courses, etc., in which mayors, party chairmen, and plant managers participate, because it is often a case of human error when water pollutants find their way into waste water despite the fact that purification facilities are readily available. In this area, too, we are able to see that our efforts over the course of several years are bearing fruit. The second possibility is that of control. Monumental tasks confront us in this area. We cannot be everywhere, not even the inspectors of the State Waterways Inspection Commission, district, or plant authorities. I even said at the forum; now more than ever, we need the peoples' help in order to track down anti-social behavior.

[SONNTAG] Do you wish you had greater means of influence based on stronger laws as a means of power?

[Huck] The water laws are a good basis for our work. We have the laws we need.

[SONNTAG] Where do you not have what you need?

[Huck] The media should turn more attention in public to the topic "water", and schools should do more to produce environmentally aware citizens. That is true not only of our region. Industry has a good deal of fallow ground before it. We have already spoken of other areas where we need support. A broad-based, public discussion would support us in any case, even discussion of infractions, as is done already today in the case of traffic violations and criminal activities, with announcements of names and addresses!

[SONNTAG] To return to industry for a moment. The construction of housing and water consumption—new modes of thought and new solutions are necessary in that sector as well, evidently for each individual.

[Huck] As I suggested earlier, industry should pay more attention to our problems. For example, it should turn its attention to dripping armatures. Who could determine how many hectoliters of water drip away in this fashion without being used? Why is it we have no toilets that store small amounts of water as well as large amounts? The need for pressurized toilets remains unchanged and high. In areas of new construction, dozens of liters of water must be allowed to flow before the water becomes hot. The issue of insufficient maintenance of hydraulic facilities, particularly where the distribution network is concerned, but at times, even at the waterworks. At this point, I would like to say a word about rational water use among our population at large. Our appeals are: do not wash dishes under a continuous stream of water, use little detergent! If bathing is a daily necessity, would a shower suffice now and then? Does the car have to be washed with the hose? How many small garden patches were tested to determine whether well construction was a possibility? And so on. And now, just a word concerning laundry: Washing powder instructions should be followed to the letter, because the phosphates they contain form nutrients for algae—particularly in standing waters. Algae use up the oxygen supply in the water. By means of the film they create on the surface of the water, the foaming tensides in laundry detergents reduce the input of oxygen from the air.

Agricultural, Environmental Policy Relationship Studied

23000091 West Berlin FS ANALYSEN in German
(Special Edition) Dec 1988 pp 47-61

[Article by Karl-Hermann Huebler written for the Research Institute for Inner-German Economic and Social Issues in honor of Prof Dr Konrad Merkel on the occasion of his 70th birthday. Prof Merkel was formerly with the Agricultural College, Technical University Berlin (West) and later, during the 1970's, served as managing director of the Institute for Agricultural Economy (est. 1972). "Notes on the Relationship between Agricultural Policy and Environmental Policy in the GDR"]

[Excerpt] [Passage omitted]

2. Environment and Agriculture in the GDR—Some Aspects of the Analysis of These Conditions

On the basis of available information, the following is an attempt to give an overview of the state of the relationship between environmental policy and the agricultural economy in the GDR. That subject also shows the range of tension within which K. Merkel's work in research and teaching moved in the past two decades. The qualification made here refers to the general and well-known difficulties in obtaining information and especially data

on the GDR. For the environmental area one must note an additional impediment: On 16 November 1982, the Council of Ministers of the GDR issued a directive on keeping environmental data secret, which is still in force today and makes analyses and comparisons more difficult.

Nonetheless one can start from the well-founded assumption that in the coming years for GDR agriculture, also, decisive general conditions and also limits must be changed for agricultural policy which up to now was determined politically-economically and, to a large extent, technocratically.

—For one, the extent of environmental destruction, which was caused and is still being caused by land management in the GDR, has worsened to such a degree that a change is necessary, even if only for reasons of costs. The further destruction of the soil, pollution of the groundwater by nitrate and pesticide infiltrations, the extermination of species—insofar as such processes can even be repaired—will require immense expenditures which inevitably will have to lead to far-reaching considerations on the avoidance of such damages.

—Secondly, the GDR has assumed a number of international and bilateral obligations which will necessitate a trend-turnaround in land management, also. Present obligations initially refer [only] to prevention of air and water pollution (for example, the ECE Convention, under which the GDR has obligated itself to lower emissions by 1993 by 30 percent below the emissions level of 1980). But since water pollution is in part caused by land management, indirect pressures will result which probably will become aggravated to the extent that the international consensus on keeping clean the Baltic and North Seas, etc., will grow stronger.

—And thirdly, it seems that acceptance by the populace of the agricultural economy oriented to maximizing production is lessening, despite continued shortages in supplying the population with foodstuffs (compare, for instance, Wensierski, 1986, p 106 ff.).

One must add, however, that the agricultural economy of the FRG and other West European countries is faced with similar changes, albeit the other way around (over-production).

Thus important general conditions for GDR agriculture will in the future be determined by the performance capability of the ecology and the stresses now existing, which will become more important than ideological premises and economic considerations. [That is] actually a truism; it was known in earlier agricultural sciences (Thaer, Aereboe) and was designated by the concept of lasting effect (of soil management). But this maxim was criminally neglected both here and there during the last 20 or 30 years in the intoxication with increasing capital

productivity and work productivity; it is based on the premise that with the use of capital and technology, the natural limits of ecosystems can largely be changed at will.

Noted GDR ideologues have for years claimed superiority of the socialist system in solving environmental problems. In recent years, such statements have become less frequent in view of the actual situation which can be recognized by everyone, although within the GDR, for instance in the daily press, much is made of individual successes in environmental protection while the general overall problem continues to be largely concealed. And if actually serious environmental changes must be admitted (dying forests, lowering of groundwater in brown coal surface mining), the causes are not looked for in the system, but elsewhere (legacy of the capitalist past, mistakes by individuals, import of environmental damage from abroad, etc.).

3. Environment and Agriculture—Some Theoretical Aspects of This Relationship

H. Immler (1985) and B. Pechan (1987) showed clearly that Marx' doctrine of labor value is not tenable for an explanation of the society-nature relationship. Pechan proved in his dissertation, however, that GDR social sciences and social economics still hold with this tenet and attempt to further develop the doctrine of labor value.

From the practice of environmental protection in the GDR, however, different beginnings are developing which Pechan describes and calls starting points for theories of nature value. The central issue in this context is whether nature or natural resources have a (social) value per se, or if they only gain this value through human labor. This initially abstract approach to the question appears of central importance for the reason that maxims can be deduced from this assessment for the treatment of natural resources, i.e., the extent of intensity and utilization, for example.

Immler (1985, p 292) makes the following comment on the matter: "As stringent as Marx' analyses of social development appear, they have a decisive flaw which could call into question the entire concept of Marxist social theory: The laws of historic development are one-sidedly directed at social relations, and not at all at nature relations of society. They are the result of the analysis of value relations, and not of physical-natural relations in society."

It cannot be foreseen how this ideological conflict can be solved in theory and in practice. The fact must be pointed out that, for the so-called bourgeois economy, this question does not arise in principle because the assessment of natural resources is made (theoretically) through the market, via the supply and demand maxim (and high prices during shortages). Nonetheless, intensive discussions are under way at present in the FRG and

other countries, in other science sectors, on the question whether nature possesses value per se, or must always be valued only with regard to human utilization needs (anthropocentric view), which in the medium term will lead to a changed evaluation of nature in this country (amendment to the Bonn Basic Law and the nature preservation law, initial court decisions, etc.) (compare H. Jonas, 1979, G. Altner, 1985).

These discussions at a relatively abstract level on the evaluation of nature are of importance if these theories lead to deductions for practical life. In the above-mentioned work, Pechan demonstrates the attempts by GDR environmental research and practice—with the examples of material management, water management and agricultural location mapping—to evade the tenet of labor value and to develop evaluation procedures suitable for practical life.

Nonetheless it can be noted that, as a rule, their translation fails because of another Marxist maxim: the increase of production forces in favor of (political, economic and social) goals relevant in the short term. A conflict which is also known in this country by the slogan Ecology versus Economy. Increasing productive forces in land management in the GDR, also, still has priority over the preservation (and especially rehabilitation) of nature. Evaluation procedures of the kind mentioned above at most are successfully applied in the GDR if their results do not call into question the paramount goal of "increasing productive forces." Although this is denied by representatives of the SED, as the following quote demonstrates, [actual] practice shows the exact opposite: "In socialism, economic growth is never directed only at short-term goals, but is always linked to long-term goal planning. The economic tasks of the 10th Party Congress include a comprehensive program which, in the future also, will ensure ecological balance. It is evident that protection of the natural environment is possible only if growing material means are available [for that purpose]." (O. Reinhold, in: EINHEIT, No 10/1981, East Berlin). This statement is remarkable in at least two regards: First Reinhold, member of the SED Central Committee and rector of the Academy for Social Sciences at the SED Central Committee, presumes that an ecological balance still existed in the GDR in 1981. Regardless of the question how ecological balance is defined, it must be noted that at least since the industrialization of agriculture in the 1970's, the forced pace of brown coal mining and other decisive production intensifications, such a balance no longer exists neither regionally, i.e., in partial areas, nor nationally within the framework of the GDR. The speed of the dying out of species (Sukopp, 1987), the dying forests, or the situation concerning surface water and groundwater, prove this statement. Secondly, Reinhold starts from the theory—also supported by politicians and economists in this country—that sufficient funds for environmental protection can be made available only through (economic) growth. Thus it is excluded that the present development process in the GDR is also a matter of misguided

allocation of production factors (labor-capital-natural resources). Reinhold's statement is based on the premise that progress through the scientific-technical revolution is unlimited and that the critical voices in the Western world (Club of Rome, ecology debate) are evaluated as pessimistic and unrealistic, and that high economic growth is seen as a way out of the ecological crisis. A. Kosing (1986) recently formulated that as follows: "The basis of all progress is always a stable and continuous economic growth, which of necessity is tied to an even more intensive metabolic process between man and nature and a further increase in the anthropogenous interference with natural cycles." So an avoidance of interferences in the cycles is out of the question.

For land management in the GDR this also means that, with a growing production volume, one can afford the "luxury" to apportion more areas to nature protection (the share of areas "taken out" of agricultural use and made available to nature protection grew in the GDR in recent years from 44,881 hectares to 106,106 hectares; it is now approximately 1 percent of the country's area); but at the same time, the other areas are utilized even more intensively which is proved by, among other things, expansion of irrigation areas and increased expenditure for fertilizers and pesticides. (A parallelism of the development to the FRG is evident: on the one hand, programs for closing down areas and, on the other hand, further intensification).

Expectations of the performance capability of the socialist planned economy to solve this basic conflict are high, as shown by the following quote of A. Kosing (1986). But there are no proofs that this is also being achieved, or can be achieved, in reality: "The socialist planned economy makes it possible to give the contradiction between economic and ecological interests such a form and direction of movement that economic and ecological requirements are increasingly brought into harmony."

This basic conflict between further exploitation of natural resources and production increase in principle also determines the relationship between agriculture and environmental protection in the GDR. In addition one must point to the fact that, because of using obsolete procedures and technologies in GDR food processing—that is indicated by the analyses of the German Institute for Economic Research, Berlin (the sugar and canning industries, breweries, etc.)—, unusual environmental stresses exist (waste water, energy consumption).

Of course, one might suppose that these fundamental problems of the agriculture-environment relationship could be modified or reduced through a number of so-called structural advantages immanent in socialist societal and economic systems.

—Land and soil in the GDR are social property just like the means of production. The land and capital use interests, which here determine to a great extent the type of soil and animal production (often detrimental

to the environment) in theory do not exist in the GDR. Those determining the use of this social property could orient this utilization along standards of environmental compatibility. Furthermore, since the effects of the food-processing industry, the chemical and agricultural machine industries, rural trade as well as banks on agricultural production in the GDR could be planned and steered by the system, the many negative pressures put on agricultural enterprises in this country by these effects could be avoided.

—Since the state or party, respectively, decides on the type and regional distribution of production (and investment), agricultural productions in poor locations would be avoidable.

—A further great advantage of the system could be the fact that the central and regional state authorities could be in possession of all relevant environmental information (toxic entries into the soil and water), in order to work out environmentally compatible utilization strategies (in this country, procuring such information is a great deal more difficult, for many reasons: data protection, private control over production means and production procedures. Because of property rights it is not possible to take precautionary soil samples without the owner's permission, for instance within the framework of a soil monitoring system, unless there is imminent danger).

However, these and a number of other advantages (see Huebler, 1986) did not bring about that GDR agriculture overall could solve the ecology vs. land management conflict. On the contrary: For a number of system-specific and organizational reasons one must proceed from the assumption that the extent of environmental destructions caused by GDR agriculture is considerable. Problematical above all is the fact that evidently no concepts have been developed which would indicate an overall development in the direction of an environmentally compatible production, and which would let one expect a trend turnaround in the foreseeable future. The tools developed so far for that purpose (for example, the law on the strategy of environmental ecology of 1970) have only shown marginal effects to date.

In this context, M. Jaenicke (1986) also pointed to another important aspect which also seems to apply to converting agriculture to a more environmentally compatible utilization and production method: the slow speed of introducing new ideas and innovations into the practice of socialist countries. He speaks of the powerlessness of the political leadership to change trends prevailing there, and proceeds from the justified assumption that this "system disadvantage" makes preventive environmental protection more difficult in those countries. The 'tonnage ideology' which continues to prevail in GDR agriculture is a striking example of that.

4. Type and Extent of Environmental Stress due to Agriculture in the GDR

The general situation of agriculture in the GDR was last described in detail in the material on the Report of the State of the Nation in Divided Germany in 1987 (BT-Drs. 11/11 of 18 February 1987), in which K. Merkel contributed significantly to the sections concerning agriculture. K. Hohmann (1986) and A. Kurjo (1987) recently described in detail the present negative effects of land management, and M. Renger (1987) explained some essential changes of the soil in the GDR from the aspect of pedology. H. Sukopp (1987) finally assessed and presented in a summarizing fashion the respective GDR studies concerning protection of species and biotopes. Overall, these sources show that the hypothesis presented by H.J. Petersen in his 1976 dissertation—that by "casting off" the tight shackles of private ownership of production, significant progress is possible with regard to a more environmentally compatible agricultural production (p 261), and that the industrialization processes emerging even then (agricultural aviation, irrigation, field rotation) offer favorable preconditions for a necessary reorientation according to ecological requirements—was not confirmed by the development since then. On the contrary: The aforementioned writings of more recent times prove impressively that the circumstances mentioned specifically by Petersen are the main causes for the serious environmental destructions in the GDR.

The large-scale operations of land management (and thus the clearance of the landscape formerly divided into small parcels, and the implied disproportionately great increase in the amount of interagricultural transport, soil destruction due to overly heavy machinery), utilization of frequently unsuitable locations (caused above all by central planning), the increasing use of fertilizers and pesticides, expansion of irrigation areas even to unsuited locations, as well as the numerous implications resulting from large-scale animal raising in huge stables (manure, emissions, and the organizational/administrative separation of plant cultivation and livestock breeding) are initially obvious causes of the growing damage to the environment. Detailed data on that subject are provided in the aforementioned publications and are, therefore, not presented here.

There are also intangible causes: Lost (with regard to the necessity of lasting soil production) or lacking awareness of the environment (with the "newer" dangers of over-fertilization, use of herbicides), and anonymization of responsibility through the organizational structures (as a rule, environmental damage does not become apparent directly after interference in the ecology, but only years later and often not at the location where it was perpetrated—e.g., with groundwater, the dying out of animal species) are further determining causes for this process of destruction.

The pressure on cooperatives, LPGs and state-owned estates, but also of the subsidiary food-processing industry, to fulfill environmentally damaging plans leads to the necessity of neglecting the requirements of lasting soil production in favor of short-term plan fulfillment. Although a number of these unfortunate trends were recognized, which led not only to environmental destructions but also demonstrated negative economic and social aftereffects, a reorientation of agricultural production seems difficult. One reason is that the advantages of constant intensification and capitalization of production served as a central justification and ideological maxim since the beginning of collectivization of agriculture, and the goal setting of "small is beautiful" would require a 180 degree turnaround. Another is that such a trend turnaround would require immense investments, even if programmed for a longer period of time, which are not available in the tight financial situation of the GDR.

Thirdly, such a turnaround would first need years of propaganda work and significant organizational changes, which have yet to be performed. Nevertheless, as presented in the material on the Report on the State of the Nation 1987, a cautious modification of the industrialization concept can be noted, such as the stopping of new construction of agro-industrial large-scale installations in favor of modernization of existing installations; improvement of the organizational structure of the enterprises and reorganization of cooperation between plant and animal production; a change in advance and producer prices. This modification does not mean a departure, however, but must be seen as the attempt to cut costs and to increase the recognition of economic value standards.

In addition to this cautious course correction in the goal setting of GDR agricultural policy (which, especially with regard to environmental stresses, hardly leads one to expect a lessening of the damage since the existing utilization organization continues its interference for the time being and since at best, further additional interferences are avoided), for some time now there have been a number of measures in agriculture (also see Hohmann, 1986) which are to lower environmental damages: protective tree plantings, mechanical loosening of the sub-soil, expansion of storage capacities for manure, reduction in making available mineral fertilizers, at the beginning of the 1980's. [sic]

In view of the overall trend, however, one can proceed from the justified assumption (the ever more evident nitrate presence in the groundwater and the progressive dying out of species may serve as two indicators) that, contrary to the supposition of K. Hohmann (p 67), the stresses on the environment and on production have grown further in the 1980's and that there is no plausible reason for the assumption that this will change right away.

Although about a century ago there was already considerable environmental damage in the present area of the GDR as elsewhere in regionally or locally limited areas

of reference (above all in industrial regions and certain river catchment basins), particularly due to industrial production as exemplified by the following quote, this damage today can be noted areawide, also because of the area-covering industrialization of agriculture, and with a growing trend. This observation, however, also holds true equally for the FRG and other countries.

"My estate, directly outside the gates of Halle, had been in the family for many centuries. In the mid-1980's I took it over with an encumbrance of 24 times the land tax net proceeds. All went well until 1892. But then the coal works were built and the ashes came and caused crop failures. Before then, I had average harvests up to 20 quintals of wheat and easily 20 quintals barley, rye and oats per hectare, cultivated about 8-9 acres of cucumbers, much cabbage and vegetables which are here in demand. Now the picture changed, the ashes sometimes destroyed almost everything, I have come down to 2 hundredweights of wheat, 5 hundredweights barley and oats per acre, cucumbers I cannot grow at all, and the vegetables are so covered with ashes that they cannot be used. Alfalfa and clover often could be cut only once, since in warm weather the ashes kill everything. Furthermore, the fodder is accepted only with aversion and after long abstinence. I have slaughtered cattle that had several buckets full of ashes in their stomachs. Since 1892 the farm has been going downhill; not only are all credit balances gone, but debts have grown considerably."

Hearing of the Prussian House of Delegates, 1901, p 1993 f., quoted after K.G. Wey (1982).

5. Outlook

Article 15 of the GDR constitution of 1974 reads: "The soil is part of the most precious natural riches. It must be protected and used efficiently..." And the GDR environmental ecology law of 1974 also contains exemplary and far-reaching normative directives for the protection of natural resources. In addition, there exists a comprehensive work on legal regulations concerning environmental protection, which shows defects similar to our own (averaged out, guided by limits of human health and not by the functioning capability of ecosystems).

These norms remain largely declaratory in the GDR if their application is in conflict with ideologically or economically motivated interests (often only effective in the short term). In principle, this observation holds equally true for the Western system of society and order. This pattern of conflict can also be noted to a particular extent for GDR agriculture.

Thus approaches to solving this conflict mostly start with repairing environmental damage. Apart from the fact that a great number of alteration processes of ecosystems caused by agriculture are not reversible, such a strategy, overall as well as per production unit (if environmental costs are internalized, such as charging fees for water or soil pollution), will in the medium to long term cause

expenditures to an extent which it is difficult to estimate today. And the enforcement deficits for environmental protection in agriculture hardly differ from those which were empirically proven here.

Given the lack of a new theoretical and strategic concept for treating natural resources and the inflexibility of the system to fundamentally deal with this old challenge—but appearing in new dimensions and qualities—the lack of funds and technologies to redress existing environmental stresses and, last but not least, the little-developed environmental awareness of the majority of the populace which is in part steered by Party and state through refusal of information on the actual situation, there is reason for the assumption that in the land management of the GDR, also, environmental destructions will continue or even increase further.

Therefore, neither in theory nor practice can there be a question of superiority of the socialist system in society's dealings with nature. Thus Ovid's demand of about 2,000 years ago should also be a maxim for GDR agriculture with regard to the lastingness of the use of natural resources for the coming decades: "Grant rest; the field which is recuperating will return in full measure what it owes you." (Ovid, *Die Kunst zu lieben* [*Ars Amatoria*], II/351).

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VEB Carl Zeiss Jena Publishes Agenda for 1989
23000092 Gera VOLKSWACHT in German
6 Jan 89 p 3

[Text] With a view to the implementation of the resolutions adopted by the Eleventh SED Congress, our initiatives are directed to the ongoing and successful continuation of the key policy of maintaining the unity of economic and social policy. We consider it our responsibility to guarantee—in word and deed—the growing economic contribution of the VEB Carl Zeiss Jena Combine in 1989, thus honoring the 40th anniversary of the establishment of the German Democratic Republic.

In consideration of the Seventh CC [Central Committee] Plenum, the fundamental statements by Comrade Erich Honecker, general secretary of the SED Central Committee and chairman of the GDR Council of State, represent a wide ranging orientation for our future labors. It is our conviction that the policy of the SED—directed at the welfare of the people and the preservation of peace—corresponds to our profound interests, and we are therefore reaffirming that a fulfilled plan and competition resolution are our duty and point of honor.

We will more efficiently use the qualitative factors of economic growth, specially by the application and utilization of advanced and key technologies, further raise the rate of improvement of labor productivity and efficiency and, according to plan, strive for better working and living conditions. In so doing, we are struggling for outstanding daily achievements for the benefit of a steadily growing and distributable end product so as to improve supplies for the general public and export. We will reliably fulfill the state plan targets and carry out component supplies.

The following are some of the growth rates envisioned by the 1989 plan:

- improvement of labor productivity to 114.6 percent and the purposeful overachievement of this target,
- increase in net profits to 130.8 percent,
- increase in industrial goods production to 110.4 percent,
- a 5.2 reduction in factory costs.

With New Targets Toward the Party Congress

In preparation of the Twelfth SED Congress we are assuming the following obligations over and above the output growth planned for 1989 in the main indices:

- industrial goods production 0.8 percent,
- sold industrial goods production 0.8 percent,
- finished products for the general public 0.8 percent.

By means of a check drawn on the GDR State Bank we will return funds in the amount of M3.5 million to our state.

In preparation of the Twelfth SED Congress and on the basis of our combine's tradition of assuming extra obligations as well as the high standard of precision work by our working people, we are striving to obtain the honorary diploma "Ten Years Combine of Distinguished Quality Work."

Purposefully Using Key Technologies

With respect to research and development, we consider our concrete and specific starting point to be the economic necessity by the application of products and technologies involving microelectronics and the construction of optical precision apparatus to create the prerequisites for the use of highly productive equipment. We see this as a process of the development, production and broad application of key technologies.

- Based on the availability of the first functional storage circuits 1 MDRAM [expansion unknown] as of 12 September 1988, it is our declared goal in 1989 to guarantee their rapid transfer and availability as well as the production of other storage circuits.
- In the field of function specific circuits, we will ensure the faster economic use of a new generation of circuits.
- With respect to the more rapid application of the key technology represented by beam waveguide equipment, we set ourselves the goal of implementing the measures aimed at the continuing and speedier production and use of beam waveguide equipment in the GDR.
- As regards the product groups of optical precision instrument construction, we will pursue the following tasks in particular:

Making available the first novel microcomputer controlled type of planetarium called "universarium."

Beginning mass production of the new series of operational microscopes for microsurgery.

Making available five LAVA [expansion unknown] ophthalmological laser devices for the GDR health service.

Beginning mass production of the new Specord M 42 and Specord M 400 spectral photometers.

Developing and transferring a new generation of coating equipment.

Greater Efficacy of Science and Technology

In the field of lead research we will intensify our efforts with regard to 17 research complexes that involve some 1,000 of our own scientists as well as 1,300 scientists from facilities of the Academy of Sciences and the Ministry for University and Technical School Affairs. Our joint efforts will concentrate on fundamental projects concerning the speed-up of microelectronics. It is our goal to achieve 90 percent of the necessary improvement in labor productivity by science and technology, continue the 32 percent renewal of production and raise its economic efficacy.

We will guarantee a 30 percent improvement in the mass-performance ratio of products relative to the predecessor product and observe or exceed the planned reduction of specific energy consumption. All labor union groups and each work collective will continue the 1987 initiative "full production with less energy." It is our aim to show in the balance sheet a 4 percent decline in total energy consumption.

Within the framework of the "FDJ Appeal GDR 40," FDJ members and other young people in our combine are assuming the obligation by improving or raising materials and energy savings to earn a profit of 12,280 million marks. At the same time they will make 240.5 tons scrap available for recovery by the national economy.

We regard the quality of our work and product as a matter of honor and a crucial factor of further intensification and the profitable sale of top products on the market. Our goal for 1989 is this: to raise, in comparison with 1988, industrial goods production with the "Q" quality mark to 113.5 percent and exceed this target by 0.8 percent; to punctually introduce 25 new and further developed main products with the "Q" quality mark; and make sure that new production with the "Q" quality mark accounts for 60.5 percent of total new production.

Our creative initiatives are directed to the achievement of a higher stage of rationalization, in conjunction with the improvement of working and living conditions. Through the more widespread application of the Schwedt initiative "fewer people produce more" we are aiming in 1989 to release working people for other productive tasks, specially the construction of rationalization aids and the adoption of a multiple shift system. This will be helped by, in particular:

- the employment of another 211 industrial robots,
- the deployment of another 336 CAD/CAM [computer assisted design/computer assisted manufacture] work stations,
- the in-house manufacture of rationalization aids to the value of M268 million,

—quickly accomplishing the measures set out in the plan of socialist rationalization before the scheduled date as well as striving for the following results: saving 7 million working hours by science and technology, reducing materials costs by 30.45 million marks, lowering factory costs by 71.383 million marks.

To improve working and living conditions we will transform and reorganize 4,900 jobs, reduce job handicaps for 265 workers and avoid job hardships by already applying WAO [scientific labor organization] at the planning stage with respect to the use of new equipment and technologies.

As regards the innovator movement, we aim to lower factory costs by 61.9 million marks by raising to 60 percent the share of agreed collective innovator activities.

The young employees of the combine involved in the MMM [Fair of the Masters of Tomorrow] movement have assumed 1,660 challenging economic tasks, 1,350 of them arising from the plans science and technology. They are thus providing a significant contribution to rationalization. The 288 youth brigades and 42 youth research collectives will be in the vanguard of efforts toward great creative achievements, culminating in a profit of 1,940 marks per young person involved.

To improve the utilization of capital assets we are setting ourselves the target to operate each piece of highly productive equipment for 17.9 hours each calendar day and the highly productive plants for 21.2 hours per calendar day.

Economic and Social Progress—Solidly at One

Our efforts are directed to the punctual or early completion and operation of all investments with the planned economic results. We wish to guarantee for 1989 an at least 400 million-mark growth of industrial goods production from investments.

We will accomplish these and other tasks in conjunction with the improvement of working and living conditions and by means of reconstruction and expansion projects involving social and cultural facilities such as:

- beginning the construction of a new kitchen and dining hall in the VEB Jena Glass Factory,
- the thorough reconstruction and reopening of the Georgenthal vacation resort on 7 October 1989,
- the beginning the construction of residential facilities for the Stutenhau vacation home,
- the reconstruction of the heating system in the Remschuetz enterprise pioneer camp.

—the renovation of the house of culture of the socialist collectives (first section).

Within the framework of the socialist pooling agreement we are making an active contribution to regional rationalization and output growth as well as to the improvement of working and living conditions.

On the occasion of the 40th anniversary of the GDR, we intend in 1989 to make available high quality consumer goods to a value of 3 million marks, in addition to the plan. We are producing cameras and lenses for the GDR people in accordance with the contractually fixed requirement. This means raising our output of miniature barrel cameras and reflex cameras to 111.8 percent by comparison with 1988.

We will introduce and learn to operate new technologies—capable of setting world standards—for the manufacture of plastic spectacle frames. As a result we will be able from 1989 to offer to the general public two new and ultra modern collections of frames per annum and produce at least 20 new models, each of these to be available (on the average) in five different colors and sizes.

Purposeful Training

Any dynamic output growth and, in particular, the development and application of high technologies in the VEB Carl Zeiss Jena crucially depend on the early and task appropriate training of the working people, thereby preparing them professionally as well as politico-ideologically for any new challenges. In the course of the ongoing purposeful development of the occupational and qualification structure, 279 employees are being trained as skilled workers, 73 skilled workers as foremen. Another 168 workers are pursuing correspondence courses at colleges and technical schools through graduation, and 439 young workers have been delegated to study full time at colleges and technical schools.

We are continuing to provide training courses aimed at the use of work station computers, in particular with regard to the 16-bit computer. Altogether 5,937 employees are being trained for task-related operation and programming. The function relevant retraining of 3,343 workers at all levels of skills serves to keep pace with the steadily growing importance of microelectronics for the ongoing changes occurring in the various jobs.

In addition we are training 4,378 employees in the course of their actual jobs to cope with the transfer processes involved in the introduction and application of new procedures and technologies and to enable them to guarantee the necessary quality in the manufacture of new products.

The Job—Battle Station for Peace

It is the fundamental principle of all our actions in every job—whether it involves lead research, design, technology, production, sales or administration—to ensure the highest possible sense of responsibility, creativity and

the readiness to accept risks. We will continue to develop this working climate in every collective, because it encourages and promotes the creativity of each individual.

Skilled management and daily operations well organized by state managers will provide every opportunity for each employee to achieve the best possible accomplishment in the socialist competition—in accordance with our guiding slogan "my job—my battle station for peace" and also in conformity with the criteria of the top output shifts.

State managers will seize on the suggestions and proposals submitted by the working people, using them for the greatest possible output growth and the organization of working and living conditions. Labor union management boards will encourage, generalize and help toward widespread application all well established as well as new creative initiatives for the benefit of the greatest possible effectiveness of the socialist competition.

By these our obligations we assume the struggle for a SED CC flag of honor in celebration of the GDR's 40th anniversary. With this aim in view, we will report the results achieved in the socialist competition on 1 May, the international fighting day and holiday of the working class, and on the eve of 7 October 1989.

Work of Inland Shipyards Described
23000077 East Berlin PRESSE-INFORMATIONEN
in German 29 Dec 88 p 13

[Unattributed Article: "Inland Waterway Docks Meet Great Demands"]

[Text] The inland waterway fleet of our republic consists of more than 1,300 canal ships serving on the waterway network and in the Baltic coastal areas. Factories and combines are increasingly using this economically favorable means of shipping, particularly for the transport of bulk commodities, oversized loads or containers. The close cooperation between the VEB Combine Ship Construction, the shipping industry and the transport customers is directed towards increasing use of inland waterways, and so reduce the demands on rail and highway transport. For example, just from January to October, 1988, approximately one million metric tons of shipped freight was moved onto inland waterways. A total of 20 million metric tons of freight are expected to have been moved on ship in 1988, which is almost two million more than in 1987.

The maintenance of the inland shipping fleet, and also the waterway maintenance fleet ("Technische Flotte") and most of the Patrol fleet ("Weisse Flotte") is borne by the VEB Ship Repair Docks, which combines 15 separate docks.

Over 6,000 ships, especially for inland shipping and the maintenance fleet, have been built since 1970 in the Boizenburg and Rosslau Dockyards. These are part of the VEB Elbe Docks, in turn part of the VEB Combine Ship Construction. These ships have been delivered to customers from over 20 countries. After the consolidation of these docks which were rich in tradition—ship construction has been at home in Boizenburg since 1793—today's VEB Elbe Docks divisions developed into modern assembly yards with specialized product programs.

Recognizing local territorial conditions, the concentration has been on inland ships and smaller ocean-going vessels. Canal, river and bridge clearances must be considered with regard to width, height and draft of the ships.

For decades, the Soviet Union has been the largest trading customer of the VEB Elbe Docks. A total of about 700 ships have been accepted for delivery by the Soviet inland shipping industry. Among them are also 40 passenger ships from Boizenburg which, as floating hotels, can carry 332 or 350 passengers. A further developed version which will go into series production in 1990 will provide more comfort, and is outfitted with better noise insulation, among other things.

The Rosslau Docks have specialized in cargo and refrigeration ships. Approximately seven CBK/KBK series inland-coastal cargo ships are launched annually. With 1,700 metric tons cargo capacity, 70 container positions and other equipment, the CBK ships enable universal utilization in freight shipment on inland and coastal waters.

Tugboats and barges, towboats, small passenger ships, patrol and guidance boats, motor launches and special ships for the waterway maintenance fleet are among the products of the VEB Berlin Yacht Docks. It has branches in Berlin-Koepenick, Berlin-Friedrichshagen and Eisenhuettenstadt, and is part of the VEB Combine Ship Construction. In addition, there are various models of recreational boats constructed with fiberglass-reinforced unsaturated polyester, such as racing boats, kayaks and canoes. Approximately 70 cargo ships, also including tow barges for canal construction, are built each year in Eisenhuettenstadt alone. The unmotorized barges range in length from 100 to 215 ft depending on their use. They carry individual items or bulk commodities, from coal and construction materials to sugar and tobacco. They weigh from 65 to 120 metric tons and can also be delivered with cover hatches.

About 1,300 cargo ships and over 1,000 waterway maintenance ships are continuously maintained by the collective of the VEB Ship Repair Docks. To enable the application of economical repair technologies, the docks with the largest capacity were specialized for scheduled maintenance of specific ship types. And so motor cargo ships are maintained in Tangermunde, river tow boats

are maintained in Genthin, and canal tow boats are maintained in Malz, near Oranienburg. The waterway maintenance ships, which are used for construction and maintenance work on the waterways, are serviced by the Plaue Docks.

The Berlin-Stralau Docks have the special significance of insuring delivery of economically vital coal and construction material shipments in winter weather. The workers in this small collective, supported by colleagues from other docks, are responsible not just for the operational ability of the tow boats in the Berlin fleet area, but also that of the motor cargo ships from the "Coast" and "Elbe" regions, as well as the icebreakers.

Ships from the "White Fleet" are also repaired at the docks. the Dresden-Laubegast Docks make available about half of their total capacity for that. With their work, the employees of this repair facility contribute to the preservation of an almost unique ensemble of steamships with great cultural value in this attractive rural area, making these steamships available for the relaxation of vacationers and tourists.

HUNGARY

Export Incentive: New Role of World Bank Credit Discussed

25000095b Budapest FIGYELO in Hungarian
12 Jan 89 p 7

[Interview with Peter Reiniger, Ministry of Industry official, and Istvan Ipper, Hungarian National Bank official, by Robert Becsky: "World Bank Credits—New Role", date and place not given]

[Text]

[FIGYELO] This is the third World Bank credit related to the industrial reorganization program. How does this loan differ from the previous two?

[Ipper] We obtained the first loan in 1986. It was to be used in conjunction with the synthetics industry. The second loan covered the rubber industry, the manufacture of agricultural and food industry machinery, and the background industry. The present loan may be utilized in the future primarily in the processing industry for investments related to exports—both direct and indirect exports—in the amount of 110 million dollars. Part two of the loan package contains 10 million dollars worth of credit for small entrepreneurs. And finally, the third part of the loan represents 15 million dollars worth of credit to be spent on investments which create workplaces, primarily in areas which struggle with concerns caused by structural change. It is expected that the management of the World Bank will approve the new loan shortly. Applications for funds from the proceeds of the loan may be applied for already at banks and financial institutions.

[FIGYELO] From the standpoint of industrial policy, is there a difference between the three loan packages earmarked for structural change?

[Reiniger] In the first program the synthetics industry was a select specialized field within the processing industry, and within that there were select enterprises. Accordingly, to a large degree the branch and the group of enterprises selected as eligible to take advantage of the loan were based on a central decision. The second program changed somewhat: in addition to the rubber industry and the enterprises selected within the agricultural and food processing machinery industries some other enterprises could apply on the basis of certain criteria. Competition for funds within the background industry was unrestricted. The present, third program is entirely open. The one who best qualifies pursuant to the most important criteria from the standpoint of economic development, i.e. enterprises which produce goods that can be exported, may apply. And here we are talking not only about the improvement of the balance of payments. After all, the one who sells his products in world markets will obviously comply with higher requirements from the standpoints of both efficiency and technology.

It is yet another question that industrial policy [makers] view the development of certain areas as particularly important. In order to realize such development, we will not assign funds to certain enterprises or developmental programs, but instead we will assist the preparation of developmental work in the form of services rendered. It is no secret that we have taken steps in the interest of developing transportation vehicles at Raba, Ikarus and Csepel Auto, and further: at Tungsram, in the interest of modernizing the production of light sources and vacuum technology. The use of foreign consultants at these enterprises for the provision of so-called technical assistance provided an opportunity for the objective evaluation of enterprise structures and operations, and for the development of appropriate enterprise strategies.

[FIGYELO] Enterprises are not crazy about taking such X-Ray pictures.

[Reiniger] This is understandable, of course. No one is happy when his methods and organization are criticized, or, I could say when a ruthlessly [candid] image of an enterprise is presented. But we must accept the methods used in the market place if we intend to stand fast in the global market place. An enterprise may bring up 40 excuses explaining why its production costs are higher than those of the competition. Such explanations are of no help as long as the organization of the enterprise is more centralized than that of its competition, and its decisionmaking process is slower. Such explanations are not taken into consideration at the market place.

[FIGYELO] Credit structures aiming for export development are not novel phenomena. According to earlier experiences, however, several questions arise: what criteria will be established by whom?

[Ipper] The World Bank applies two kinds of criteria. By and large these correspond with the domestic conditions of earlier credit structures for export development: foreign exchange expenses incurred must be paid off out of net foreign exchange revenues within five years. On the other hand, the developmental process—dependent from exports—must be sufficiently profitable, i.e. they must be efficient in and of themselves.

[Reiniger] World Bank credits may also be used for purposes of maintaining export levels by enterprises whose export sales income exceeds thirty percent of the total sales. Enterprises whose export ratios fall below 30 percent of the total sales, must sell at least 60 percent of the value produced as a result of developmental activities in the convertible currency market. It is an important and new criterion that the importer too may receive part of the World Bank credits, provided that 70 percent of his production is sold to the exporting enterprise.

[FIGYELO] But what happens if, for instance the economic upswing turns out to be more favorable than expected, [and total production increases] while the ratio of exports drops lower?

[Reiniger] It does happen in the framework of so-called export development credits that in one year or another the enterprise does not fulfill the promised export quota (or price), and the bank penalizes the enterprise by charging additional interest. The possibility of such penalties is out of question [in this instance], the essential criterion is that the exports are paid off within five years, out of revenues produced. Accordingly, lower export sales in one year may be abundantly offset in the following year. It is yet another matter that if the development proves to be flawed, and the reason for such flaw can be tied to matters other than the fluctuations of the economic cycle, the consequences must be borne by the investor.

[FIGYELO] And who awards the loans?

[Ipper] This is clearly the task of commercial banks and of specialized financial institutions. They must draw up lists of potential borrowers following some promotional work on the one hand, and they must evaluate the enterprises' conceptions concerning organization and structural change, on the other.

[FIGYELO] Do commercial banks possess the required know-how?

[Ipper] Once again, using World Bank credits, commercial banks may hire outside experts to perform these tasks. Otherwise banks will approve applications for credit on the basis of the applicants' financial situation and efficiency indexes.

[FIGYELO] What opportunities exist in the framework of credits available to small enterprises?

[Reiniger] I would begin by saying that export development credits were frequently criticized before, because a decisive part of those credits were awarded to large enterprises. Now, in addition to the fact that small enterprises may apply for their share of the total amount of funds earmarked for export development and workplace creation, at present entrepreneurs with 60 employees or less have available this separate fund which serves the purpose of small business development.

[Ipper] Let me add here that in this regard we are not dealing with some competition-neutral concept. To the contrary: aware of the Hungarian economic structure, we are using these means to stimulate the establishment and technological development of more small enterprises. And further, in contrast to loans which serve the purpose of increasing exports, we now can provide funds not only for purposes of the processing industry, but also for industrial services, marketing, market research, planning and the enhancement of accounting practices.

[FIGYELO] The definition of small enterprises solely on the basis of the number of personnel seems like a simplified process if we consider the fact that various branches of industry use assets whose value is spread over a broad range, and produce various production values with the same number of workers.

[Reiniger] I differ with this opinion. We are inclined to over complicate matters. If I say that a small enterprise means a maximum of 60 people, that is a clear, unequivocal organizing principle. If I say that small enterprise means 60 people and a sales volume of 100 millions, then I provide an opportunity for making exceptions. Namely, someone may claim that he has 80 employees but his sales volume amounts to only 50 millions. And if we would include in the calculation the value of fixed assets, we would have two kinds of possible exceptions, which, of course, would have to be evaluated by someone.

World Bank experts examined Hungarian small enterprises. As a result of that examination they came to the conclusion that by using 60 employees or less as a criterion some 90 percent of small enterprises would become eligible.

[Ipper] We wish to apply a simplified procedure with respect to this category. While observing qualitative criteria provided by the World bank, we would simplify the process beginning with the method of credit examination and ending with documentation processes. We are doing so in consideration of the fact that in this respect we must adjust ourselves to the possibilities available to smaller organizational units.

This form of World Bank credit demands new tasks from commercial banks and from developmental financial institutions. The banks receive loans for a 15 year period, which they may lend out for a maximum of three year periods to small entrepreneurs. Accordingly, it is in

their interest to turn over the money as many times as possible. If we assume that the developmental period in a small enterprise is three years—which happens to be more than the average—the banks will be able to turn over the money five times, using the money again for the financing of small enterprises. Thus the banks' promotional activities to enlist new clients, and the thorough selection of new clients assumes an even greater importance. Banks too assume risks, and the consequences of possible fiascos are also borne by banks.

[FIGYELO] Part three of the loan package provides for investments which create workplaces. As far as I know this is a new form of World Bank credit.

[Reiniger] I believe that it is extremely important from both the economic and the political standpoint that together with the phasing out of loss operations we create supplemental job opportunities in areas most threatened by structural unemployment (in the Counties of Borsod-Abaúj-Zemplén, Komárom and Nograd). What I believe to be a new form of credit, indeed finances the resolution of problems tied to difficult economic conditions, and not to social problems. We established a regional retraining center in Borsod on an experimental basis—funded by World Bank credits. For example, workers who became superfluous in the foundry industry will learn new trades there.

In the course of preparing to acquire the World Bank credit it became apparent that many different organizations, using different means and different resources try to resolve occupational concerns. In the future the system by which the creation of workplaces is supported must be significantly simplified. Otherwise we would scatter our not so abundant resources. On top, the related requirements are not uniformly stringent. For this reason the World Bank recommended that we develop uniform, understandable and simpler requirements in regards to investments aiming for the creation of workplaces. This, at the same time, would make it possible to evaluate a significant part of requests for subsidies on a decentralized basis, in the framework of local councils. According to present conceptions county councils would have approval authority up to 5 million forints, and no limitations in regards to small entrepreneurs. Awards of more than 5 million forints would be made by the State Developmental Institute. On the other hand, World Bank credits would be awarded by commercial banks and by specialized financial institutions on the basis of stringent efficiency criteria relative to investments which create workplaces, and which are already receiving state subsidies.

[FIGYELO] Is there a figure which could provide an idea of the cost of establishing workplaces?

[Reiniger] According to preliminary calculations it would cost a maximum of 500,000 forints to establish a workplace. In the interest of establishing modern workplaces, we may supplement such expenditures with

World Bank funds. Since occupational concerns are tied not only to industry, small enterprise investments which aim for the creation of workplaces could be either industrial, or could satisfy building material industry, service or food industry purposes. There are two exceptions: building construction and agriculture. World Bank credits cannot be used for these purposes.

[Ipper] Here too, the World Bank conducted a thorough examination. It analyzed how the available limited resources could produce the greatest number of efficient, permanent workplaces. In other words: how these resources could be utilized in places where unemployment presents the gravest concern both in terms of areas and trades. It was an important finding of World Bank experts that technology which is suitable to produce modern, marketable products must be introduced to these areas. Let us not resolve the occupational concerns for half a year, or one year, or for a two year period.

A maximum of 30 percent of the total developmental expense may be a subsidy used for the purpose of establishing a workplace, and this may be supplemented by funds obtained through World Bank credits. In the case of a small enterprise, where a maximum of 50 percent of the investment may be funded by World Bank credits, a development costing 10 million forints may be constructed from 3 million forints in state subsidies, and 5 million forints from World Bank credits. Accordingly, together with an entrepreneur's own 2 million forint capital he may acquire a 10 million forint capacity, provided that the investment is in an area as described before, and the investment actually creates a workplace.

[FIGYELO] How was the 5 million limit of subsidies which can be awarded by local councils arrived at?

[Reiniger] This is no small amount. Based on the above calculations 5 million forints can create a capacity of 15 million forints. On the other hand—and this finding was made by the World bank—this is the limit which councils can handle, considering the information and specialists needed for the evaluation of the efficacy of an investment.

[Ipper] World bank credits also may be used for the recruitment and maintenance of staff which is needed in order to render determinations of this nature. Accordingly, with the passage of time, higher value investment decisions also may be decentralized.

1988 Retail Sales Down Twice the 1987 Rate: Outlook Gloomy

25000094a Budapest FIGYELO in Hungarian
12 Jan 89 p 10

[Article by Andras Nyiro: "Declining Consumption, Growing Inventories"]

[Text] As compared to 1987, small retail sales in 1988 declined by more than twice the planned levels. But the consumption structure also changed. Clothing articles and the catering industry were most adversely affected. In 1989 we may count on a continuation of these trends.

A year ago few would have thought of what actually took place in 1988. Retail consumption declined for the first time in 30 years. An entire generation grew up and was able to increase its merchandise and service purchases year after year.

Not the Only Yard Stick

Termination of consumer price supports with the simultaneous introduction of value added taxes, and an income reduction resulting from the personal income tax forced the population to make larger decreases in consumption month after month. The decline in domestic sales however, must not be regarded as the only yard stick by which retail consumption is judged. This is so, among other matters, because with the introduction of new passport regulations a significant part of the retail purchasing power shifted abroad, satisfying the need for modern, high quality communication equipment, household appliances, refrigerators and freezers. This demand has already existed before. Relaxed travel restrictions further increased this demand because it enabled the satisfaction of these needs at substantially lower prices than in Hungary. It is no coincidence that convertible currency foreign exchange expenses incurred in the course of tourism almost tripled, and by the end of 1988 reached 560 million dollars. Using its earlier reserves, the population took advantage of the opportunity to make foreign exchange purchases for three years, but part of another kind of reserve was also used—a kind of which only hypotheses existed before. A year ago experts estimated the value of foreign exchange held by private persons at a 100-150 million dollar level. Even today one cannot accurately evaluate what kind of demand appeared on Mariahilferstrasse or in the shops of Szabadka, one can only estimate its size. Considering the pattern of foreign exchange expenditures, the structure of purchases and the utilization of foreign exchange reserves, the amount of purchasing power expended abroad is between 10 and 15 billion forints, in my judgment.

What do these figures show? According to preliminary data, 1988 retail sales may have amounted to 697 billion forints. Considering current prices this amount is 8.8 percent larger than the corresponding figure in 1987. This increment resulted only from price changes, of course. Using constant prices, compared to 1987, retail sales are expected to drop by 6-6.5 percentage points, rather than the planned reduction of 3.2 percent. This means, that retail sales in 1988 fell back to their 1985-1986 levels. If we take into consideration the purchase power which was expended for merchandise abroad, and the higher rate of growth experienced by private merchants than by the state sector, the decline amounts to about 3-4 percentage points. Since most retail consumption takes place in the framework of commerce, this figure also represents an actual decline in consumption.

Overspending?

Changes in consumer attitudes could be felt already during the initial months of the year. Unsuccessful winter sales proved already that the population is trying

to rearrange its expenditures. Initially people surrendered items and services which, from their standpoints, represented lesser deprivations, such as taking advantage of the catering industry and the purchase of clothing. Later it became apparent that this, one could say traditional reaction does not suffice for the balancing of available financial resources with needs. Therefore the population was also forced to make a change in the structure of its food consumption. Within a relatively short period of time, people moderated their purchases of expensive meat and meat products. As the first half of the year drew to a close, it was apparent that in the above mentioned areas holding back on consumption and the restructuring of food purchases was still not enough to achieve balance. Demand for mixed industrial goods also declined, part of this, however, may be explained by purchases abroad. During the first nine months of 1988 fewer color television sets, VCRs, radio sets and refrigerators were sold in Hungary than in 1987. In addition to the aforementioned reason, this decline is also linked to high prices and short supply.

Consumer attitudes also manifest some peculiar features. Long term perspective does not prevail even in regard to consumer decisions. Short range planning, and a day-to-day approach to living proves that the population has become a net debtor population. Over a period of many years the relationship between various types of deposits, on the one hand, and credits, on the other was characterized by the fact that the deposits were substantially higher than the outstanding loans. This fact enabled the population to gradually increase the amount of credit used. Now the situation has changed. Thus far the population's decisions were guided by an inclination to save. By now, due to the uncertain economic and social situation the population is overspending. It wants to maintain its earlier consumption levels beyond the limits of real possibilities. Just as in the people's economy as a whole, this will, at the same time, represent an unheard of burden in the upcoming period. The absence of rational conduct bears not only on economics, it is also a political issue. After all, any further constraint in the economy is applied to a net debtor population, at a time when along with reduced savings there emerge numerous obligations to repay loans. In such situations further reductions in real income and reduced consumption become a source of financial tensions within a significant part of families.

What results were produced by the policy which restrained consumption? The classic goal, which, among other matters was expected to be realized as a result of restrained domestic consumption could not be enforced in such short period of time. That goal would have been to channel productive enterprises in the direction of convertible currency markets, by virtually establishing a constrained course for sales.

On the Domestic or the Foreign Market?

Namely, the merchandise absorption effect of commerce was still rather strong in 1988. This is so in part because as a result of a tendency to buy up in 1987, the first and

second quarters of 1988 were spent on replenishing inventories, and in part because despite the gradually moderating purchases it was impossible to determine the growth of inventories even during the third quarter. Using current prices, consumer goods inventories by the end of November 1988 were 27 percent higher than in 1987. Accordingly, it is no coincidence that exclusive of the food industry, industrial wholesale and retail sales increased by 8.1 percent during the first nine months of 1988, while export sales increased only by 5 percent. It can be expected that in the upcoming period commercial enterprises will sharply reduce their purchases.

Accordingly, restrained consumption, as a means by which production may be forced to turn toward the convertible currency markets may prevail beginning in 1989 only. This is particularly true if capacities utilized thus far for domestic purposes may be converted, and may be retooled within a short period of time—a few months—to produce goods which are competitive also in Western markets. As of today enterprises react much more to the idea of reducing production than to exploring foreign markets.

At the same time it is an unquestionable fact that the convertible currency trade balance shows an excess over the levels planned for late 1988, but in this regard declining domestic demand did not play the decisive role. Instead, these should be viewed much rather as boom related factors, which are expected to exert a reduced influence beginning in 1989. Once again, 1989 will be a year of reduced real income and consumption. Unlike in the previous year, fewer people have doubts about the truth of this statement.

Effect of Banking Reform Analyzed
25000097a Budapest NEPSZAVA in Hungarian
5 Jan 89 p 4

[Interview with National Savings Bank president Dr Laszlo Tisza, by Gizella Ivan at 4 January press conference in Budapest: "Loan Interests Increase, Deposit Interests—Not Yet"]

[Text] At a press conference at National Savings Bank's [OTP] Ferenc Munnich Street headquarters yesterday OTP president Dr Laszlo Tisza reported on the new plans of the financial institution and on changes regarding deposit and loan interests. On this occasion he granted an interview to NEPSZAVA's reporter.

"The beneficial effect of savings institutions on public morality cannot be fully measured. Diligence and thrift occupy people's time, and savings institutions provide an opportunity and inclination for gradual improvement, and through habit deter excesses and crime: they introduce order in heretofore disorderly households and in the minds of people." These thoughts were recorded by Andras Fay in 1839, when he developed a plan for a Pest County savings bank to serve the general public.

There is much truth in what he had to say, and in these days also the OTP leaders like to encourage thrift. But the time for nice words has passed and we are aware of the bitter truth: only the one who has money can save. Accordingly, our citizens must be enticed by the promise of high profits in order to be persuaded not to place the little money they have into drawers at home. This is so because—and let me once again quote Andras Fay: "The general public becomes suspicious if it struggles with poverty in one or another country, or if it suffers in the course of carrying the burden of both life and the country."

[NEPSZAVA] How does OTP president Dr Laszlo Tisza view the situation? Are we really suspicious, and has our mood and inclination to save diminished?

[Tisza] Unfortunately I cannot report that last year, as compared to the previous year, our deposits increased by this much and that much. All we can say is that we are maintaining the previous level. The total amount of deposits at the end of the year was 265 billion forints. This includes 23 billion forints of interest and premiums credited. Compared to 1987 these figures reflect a 4 billion forint decline. At the same time, however, we sold 4 billion forints worth of certificates of deposit. This, however, does not represent an increase in our deposits. The situation is different in regard to loans. These figures are not yet accurate, but outstanding loans amounted to 286 billion forints in 1988, an increase of 30 billion forints over the 1987 amount. We spent 45 billion forints for residential construction and purchase alone. On the other hand our foreign exchange sales business evolved favorably. Considering both convertible and nonconvertible currencies] it tripled, while convertible currency sales alone quintupled.

[NEPSZAVA] It is a well known fact that the renewal of the OTP is part of banking reform. While in earlier days the OTP functioned as the people's and the councils' bank, beginning on 1 January the OTP continues its work as a commercial bank. Simultaneously, however, commercial banks too were authorized to accept deposits from, and to issue loans to the general public. This may create a rather keen competitive situation. How, and with what methods do you try to retain your clients?

[Tisza] With the acceleration of banking reforms we must indeed place our entire policy concerning interests on new foundations. It is a well known fact that in earlier days people received significant state budgetary subsidies in the framework of paying interests. They received the difference between reduced interest paid on loans, and the interest to which the financial institution was entitled to on a realistic basis. Last year, for example, these subsidies amounted to 31 billion forints. Beginning in this year, we can no longer follow this path.

[NEPSZAVA] This then suggests that interest on loans granted to the general public will be higher. But will there be some new, attractive programs for deposits—will also the interest paid on deposits be higher?

[Tisza] Well, I can provide you with accurate figures on interest rates applicable to loans, but the Presidential Council has not yet made a decision concerning the regulation of deposits, even though they have discussed the matter on 30 December. I can say this much: on the basis of the Law on Finances, in the future the upper limit of chargeable interest will be defined by the central bank. It is expected—but this is by no means certain—a new decree with the force of law promulgated by the Presidential Council will go into effect on 1 February. It concerns savings deposits. In our financial institution the largest increase will take place relative to demand deposits. We will pay an 8 percent interest instead of the earlier 2 percent. One year deposit certificates will earn 13.5 percent interest, two year deposit certificates will accrue a 14 percent interest, while the interest rate applicable to three year deposit certificates is 15 percent.

[NEPSZAVA] These interest rates, however, are below even the planned inflation rate. Thus they do not necessarily induce savings. Whoever has money would like to invest it in a way so as to benefit through the investment. Is it possible that your competitors will pay higher interest rates and that the OTP may lose its earlier clientele?

[Tisza] That represents only half the truth, and applies to deposits which are not made on a long-term basis. The average interest at OTP is approximately 16 percent. We cannot raise this percentage higher, because if we do, we would also have to raise the interest payable on loans.

[NEPSZAVA] How do the terms of loans change?

[Tisza] One of the most important types of loans relates to residences. The Hungarian National Bank was notified to the effect that the Ministry of Finance established the interest rate on residential loans at 18.5 percent, beginning in January 1989. We may charge an additional one percent interest to cover our expenses. The full weight of this large-scale increase will not be felt by the public, because the state significantly subsidizes the repayment of these loans. Subsidies will be higher during the first 5 years of repayment, when the burden related to acquiring a residence is large. Subsequently the subsidies are gradually reduced. The full amount of the installments must be paid only beginning in the 16th year.

[NEPSZAVA] Will borrowers who need funds to renew their residences be subsidized?

[Tisza] Repayment subsidies are available also for these purposes to the extent of 30 percent during the first 5 years, and 15 percent during the second 5 years of the term.

[NEPSZAVA] And what should a borrower do, one who began constructing or purchasing a residence, but could not complete the transaction prior to 31 December?

[Tisza] Persons who submitted loan applications before 31 December, or persons purchasing residences who have been designated as buyers may choose whether they want to enter into contract under the old conditions or under the new conditions.

[NEPSZAVA] Will the OTP change its work methods and concepts?

[Tisza] In the future it will be a fundamental requirement to evaluate our clients' ability to pay prior to approving loans, i.e. the extent to which a client's income may be committed. We will make changes also in the context of assuming debts—here we are talking about the sale of residences—because in the future the OTP will enter into contracts with buyers on the basis of the new conditions governing interests. Just as a reminder I will note here that regarding contracts entered into with our clients after 18 July 1988 our agreements specify variable interest rates. This means, that in regard to these contracts the interest rate will be raised from 15 percent to 18.5 percent.

[NEPSZAVA] According to recent rumors, henceforth the state will not guaranty the repayment of deposits, and that hereafter the income tax on interest earned will have to be paid by depositors.

[Tisza] There is no truth to this rumor. The state backs the repayment of savings deposits, and income taxes payable on earned interest will be covered by the OTP also in 1989.

[NEPSZAVA] An increasing number of scary reports appear in the press concerning armed robberies involving OTP branch offices. Are the workers safe, and how much would have to be spent for the purchase of equipment which deters attackers?

[Tisza] Two years ago we decided that we will spend 10 million forints annually for the installation of equipment which protects our assets.

[NEPSZAVA] Do you have any doubts as to whether 1989 will be a successful year?

[Tisza] I do have confidence, after all the question is how we can respond to the requirements and needs. We must work in a profitable manner, at the same time, however, we cannot lose our clientele, moreover, we would like to attract new clients. Everything depends on this. Competition will be keen.

In closing, the words of Andras Fay are once again appropriate: "... will there be a sufficient number of depositors ... and can the tax paying public deposit its surplus into savings banks—the tax paying public which at present is barely able to pay its taxes, and part of which is struggling with the everyday necessities of life?" He wrote these words exactly 150 years ago.

New Hungarian National Bank President Interviewed

25000097b Budapest HETI VILAGGAZDASAG in Hungarian 14 Jan 89 p 55

[Interview with Hungarian National Bank (MNB) president Ferenc Bartha by Andras Lindner and Zoltan Horvath; date and place not given; first three paragraphs are HETI VILAGGAZDASAF introduction]

[Text] "My father was a doctor in the countryside, my mother came from a peasant family," the MNB president for the past 6 months claims. The childhood of Ferenc Bartha, 45, is tied to Maglód and Cegléd. Following his years at the secondary school in Cegléd, where—small world—the present deputy finance minister László Bekési was his school mate, Bartha's parents had planned that he, the youngest of four siblings, study medicine, and that he follow in his father's footsteps. Ferenc applied at the University of Economic Sciences and obtained a degree in foreign trade.

"My career had its beginnings at the Economic Sciences Institute of the Academy. I made a real good start in the company of Sándor Ausch and Ferenc Kozma." Within a short period of time the young scientific associate was viewed as the expert on CEMA on international monetary issues. But he was also involved in the research of capitalist integration and in the preparation of the new economic mechanism; in the summer of 1968 he applied for admission at the university of Nancy in France. A year later he received his second diploma. His dissertation was entitled "The State Sector in the Common Market." Upon his return to Hungary he received an appointment at the Ministry of Foreign Trade; he joined the then recently formed Division of Economics. In 1971 he changed offices: he was appointed head of the foreign exchange division, and for several years he dealt with finances. In 1980 he accepted a position directing the Council of Ministers secretariat on international economic relations, including the functions of the secretary. For a long time he was recognized only as József Marjai's right hand. Thus it came as no surprise when he followed Marjai to the Ministry of Commerce in the capacity of state secretary. A few months later, however, they once again began to follow different paths. Since June 1988 Bartha has been the head of the MNB. Marjai was retired. In May 1988 Bartha was elected to be a member of the CC.

In his younger years the new bank president played competitive basketball. By now his sporting activities are limited to occasional tennis and to sailing. True though: he has some other connections to sports: Bartha is a member of the presidium of the MTK-VM [a sports club, expansion unknown].

[HETI VILAGGAZDASAG (HVG)] You have been directing the Bank for half a year. Since your arrival there has been a noticeable personnel turnover at the Bank—almost the entire upper management has changed. Were these changes consistent with your wishes?

[Bartha] Several persons retired. Without having to ask for such freedom, I was given the authority to select the successors of deputy presidents. Imre Tarafás and István Szalkai are young, nevertheless they are longtime bankers with excellent capabilities. The same applies to Lajos Komár who in earlier days created the Central European International Bank out of nothing and made it big.

[HVG] He became the successor to János Fekete, whose departure, quite frankly, surprised many. Did you initiate that step or did you just take note of it?

[Bartha] Actually, this matter was decided on the basis that we were beginning a new era at the bank, and the change also applies to the conditions of leadership. I could not see any future in beginning a new era with a deputy president over 70 years of age, regardless of his experience. As an aside, I should mention that he too agreed with this idea.

[HVG] And the present? Did you succeed in surrounding yourself with people in whom you have absolute confidence? What's the situation "below"?

[Bartha] I am already aware of the fact that another change in cadres is necessary. Because of our state regulatory "status" we are experiencing difficulties in certain areas in regard to competing with commercial banks. I view the situation as critical particularly on the foreign exchange front.

[HVG] Even though you have dealt with financial matters, you were not really a "banker." Does this bother you?

[Bartha] It does. Rendering decisions is quite different from providing advice. I have a lot to learn, no doubt. But I believe that it is best to learn all these things in the course of transformation. In contrast to my predecessor, I immerse myself into every important specialized area.

[HVG] Who is your superior? Who has the authority to direct you?

[Bartha] The prime minister. The minister of finance, the president of the National Planning Office, and deputy prime ministers responsible for the economy are my most important partners.

[HVG] Did you know any of your predecessors? And if so, in whose footsteps would you like to follow?

[Bartha] I knew András László very well, and I particularly respected his leadership authority which did not tolerate contradiction.

[HVG] I guess you must have respected the same characteristic in József Marjai's person. You spent almost 10 years on his side. How did you "find each other"?

[Bartha] It happened in 1979. Istvan Huszar wanted me to work for the Planning Office. Peter Veress did not let me go. Thus Huszar requested my transfer directly from Marjai. Marjai, however, was looking for a head of the secretariat for international economic relations. This is what Marjai thought: if Bartha is good enough for the National Planning Office, he certainly will be good enough for my office too.

[HVG] That close official relationships is now broken. With whom do you share your concerns and troubles?

[Bartha] We are struggling together with the new government leaders as experts. My relations with them are open and candid also in these days. I do keep in touch with my former boss. I continue to believe that he was correct with respect to high caliber issues which determine the fate of the Hungarian economy. It is unfortunate that he was not always able to make his viewpoint prevail. Perhaps he erred when most of the time he built not on the system, but on himself and his associates, and did not sufficiently trust the environment.

[HVG] For years you have worked as part of the economic policy kitchen cabinet. What do you consider as your gravest error?

[Bartha] The fact that I did not stand up at the time it became clear that economic policy has abandoned the path of reality. In the middle 1980's everything was defined by incorrectly interpreted economic policy.

[HVG] Didn't you have an opportunity to just raise a professional opposing view?

[Bartha] I always stated whatever I felt was improper, either personally or through Marjai, and until 1984 most of our recommendations were adopted. We were no longer able to maintain this situation, however, after my superior's influence of power ceased to exist.

[HVG] The bank's earlier leadership was subject to strong criticism because it clearly abided by the party's and the state's directions. Have you formed a personal opinion in this respect?

[Bartha] There is no denying it. The bank serviced a voluntarist economic policy which a national bank should not have serviced. Especially during the two most critical periods—1973-1977 and 1985-1987—the MNB frequently cautioned about credit conditions, but it could have done so more forcefully. I also find it a mistake that the leadership of those days did not endeavor to modernize the banking system, and did not spearhead such a movement. Thus, in this regard we are delayed by 10-15 years. All this is true even if in the meantime the MNB's international activities in terms of attracting resources was appropriate.

[HVG] Is it not a cause of a dissociation of your personality that while you are a member of the Central Committee, you also must watch over the independence of the Bank? At the minimum this represents a dual commitment.

[Bartha] It may have caused concern in earlier days, but this is no longer the case. They are aware of the fact that at present I am rendering opinions on the basis of a fundamental outlook grounded in the national bank, and therefore my views are accepted even if they are "un-party like."

POLAND

Flaws in Economic Consolidation Plan Discussed 26000253 Warsaw *LAD* in Polish No 50, 11 Dec 88 pp 6, 13

[Article by Witold Gadomski: "The Consolidation Plan"]

[Text] The "Assumptions of the Consolidation Plan for the National Economy" that was published in the press is a strange document. It contains a mixture of proposed solutions that are in part in accord with market logic and in part remnants of the command-distribution system. It contains general statements that are hackneyed (for example, ...the introduction and observance of the principle that on a national scale one can distribute only that which is created and allocated for distribution) and excessively detailed (for example, ...thanks to the utilization of waste materials, emissions, soot and the like). It also lists immediate tasks that are very ambitious and extend over a period of many years (...leading within a period of 5-7 years to limited internal and external convertability of the zloty, and in the future to full convertability). The document contains proposals that are very bold. The concern here is about the extensive transformation of the socialist economy and not its reformation; doctrinal limitations are not considered.

The most important proposals concern:

- a) eliminating the barriers hampering the initiation and conduction of economic activity in all areas of the economy and all sectors of ownership;
- b) a legal guarantee for stable economic treatment of all forms of ownership;
- c) guaranteeing equal economic, financial and taxation conditions to all economic subjects;
- d) eliminating the "promoter organ" institution, transferring its function to the National Treasury, which will give it legal status;
- e) converting some state enterprises into stock companies having the State Treasury, individuals and other subjects as stockholders;

f) converting the Planning Commission into the Central Planning Office (an institution with such a name existed up to 1949, and its liquidation initiated the complete nationalization of the economy)—a staff and not a decisionmaking organ;

g) eliminating intermediate structures;

h) eliminating entire branches and enterprises that are non-profitable, energy-intensive and material-intensive;

i) permitting the creation of a capital market and allowing it to absorb "hot money" (which will be one way of combating inflation).

The declaration of these activities is the bright side of the Assumptions of the Plan of Consolidation. Unfortunately, it is the details that are troublesome. Here and there its sneering attitude toward the efforts of government reformers is evident.

According to the Assumptions, prices should be an external parameter relative to an enterprise that are determined by the market or by the administration if prices are not available. This is fine except a differentiated market is still not that common. Thus the Assumption's proposal signifies that the scope of government prices must be expanded or wishful thinking on the part of the Assumption's authors. With regard to goods considered to be luxuries, equilibrium prices will be applicable. This will certainly apply to new electronic equipment, automobiles (let us hope so!), home furnishings and the like. Immediately following this declaration, however, we read: "However, a significant portion of excessive pensions will be taken by the State in the form of a sales tax. That is an error, a tremendous error! At this time the Assumption's authors are thinking in terms of social justice. Of course, enterprises operating in an unstable market obtain additional "undeserved" profit. Today the government price for automobiles assures high profits for two automobile producers (23 percent profitability for the FSO [Automobile Factory] and 16 percent for the FSM [Compact Car Factory]). At the same time, this does not guarantee market stability. Price equilibrium will occur at prices that are 50 to 100 percent higher (the exchange price is 200 percent higher, but this is the marginal price). At such a price, profitability will certainly exceed 100 percent. This is unjust and unacceptable to the authors of the Assumptions. However, in taxing "excessive profits," the mechanism to obtain equilibrium is obstructed. Of course, high profitability will initiate increased production via, among other things, investments in profitable areas, if unhampered by taxes. Such interference should not occur. The proposal to "even out chances" by manipulating taxes is one of the greatest misunderstandings. I believe that the Assumption's authors in reality sympathize with "conservative economics," but having just plodded through monetarism they have not yet studied the economics of taxation.

Point 18 of the Assumption declares "determining prices on the basis of total enterprise costs should be abandoned forever." However, Point 22 states: "The use of the production costs accounting method should be verified as soon as possible so that it truly reflects direct and indirect labor costs." I do not quite understand why this is so urgent. Obviously, costs accounting should be conducted honestly by an enterprise because it should be the basis for undertaking many decisions. The honesty of this accounting also forms the basis for proper tax assessment. However, I suspect the real concern here is about "honestly" determining the price of an enterprise's products based on costs despite the previous declaration concerning the cost formula for prices.

In another place, the Assumption's authors sermonize. Unfortunately, they are off track. They write: "It is better to have several tens of thousands or even several hundred thousand Polish workers working in Poland in enterprises belonging wholly or partly to foreign capital than to accept the departure abroad of people, especially young people." Well, of course, it is better, but this statement reminds one of the cabaret statement that it is better to be healthy and rich than sick and poor. However, initially it is emphasized that employment in firms with foreign capital is limited to several tens of thousands to several hundred thousands, or about one percent of the workforce.

These erroneous formulations bear witness to the remnants of thinking in the old way, treating Poland's NEP merely as temporary.

Wishful thinking is another flaw of the text. The authors formulate rather general postulates to correct the situation. For example, this refers to currency stabilization and the struggle against inflation. Polish inflation is an economic as well as political phenomenon. It is a form for soothing social conflicts and the discrepancies developing among various groups. To sever this tail of inflation, social conflicts must be exposed and restructured, and the subjectivity of an enterprise must be strengthened. A declaration concerning enterprise independence is not sufficient. This independence must be of a legal and economic nature. It must signify specific ownership. The anti-inflation policy (chapter VI) is, in general, the weakest part of the document. Among others, the statement that the so-called indexation of income (automatically increasing incomes as prices increase) is a substantial inflation factor raises doubts. First, in the Assumptions, indexation is confused with parity of incomes. Parity is merely an element of negotiations concerning wages and not a mechanism for automatic increases. Second, the lack of guaranteed indexation does not at all signify that nominal wages are not "pulled up" by the cost of living. The only problem is that this process occurs impulsively and leads to anarchy in the wage structure.

What is not included in the Assumptions is more important than what is. Above all, it does not include the "economic minimum" concept, that is, the minimum

quantum of changes that must take place so that the economic mechanism starts to operate automatically. The consolidation plan is supposed to be realized in the 1989-90 period. This is absolutely too long. Consolidation, if understood to be an economic minimum, should be accomplished within several months. A longer period requires the more ambitious plans specified in the Assumptions. Many problems that should be resolved in the framework of a minimum plan are not included. For example:

- a) eliminating the separation between market, investment and procured goods (only partial elimination of obligatory intermediation is discussed);
- b) eliminating the central control for allocating investments and factors of production (among other things, it is essential to eliminate the Fund for Structural Changes or to change in a basic way its functioning);
- c) reducing only once the debts of state enterprises and, at the same time, setting the interest rate for credits;
- d) treating wages, investment funds and money turnover uniformly by, among other things, eliminating the separate ways they are created and taxed;
- e) guaranteeing equal access to factors of production, credits, foreign exchange, labor and markets to all enterprises regardless of form of ownership and place in the economy.

Here it should be remembered that the economy can function automatically only in a law-abiding atmosphere, that is, one in which the primacy of law over politics is guaranteed.

Marketing in Dollars: Number of Firms Granted Licenses Soars

26000239 Warsaw *POLITYKA* in Polish
No 52, 24 Dec 88 p 5

[Article by Joanna Solska: "A Fishnet for Returning Poles"]

[Text] Given the times, it should come as no surprise that Film Polski is selling Seiko watches or that Lada automobiles are being imported from Denmark and Holland.

Customers at Warsaw's Telimena store had two big surprises recently. The first came when they saw fashionable shoes on the shelves, and the second came when the customers went to pay for the shoes. The shoes were on sale for dollars only. True enough, prices for the merchandise were stated in big-print figures 5, 31, and 33 and small-print dollar signs below, but who looks at prices nowadays? Spontaneously, potential customers divided into two groups. Those in the first group seemed to disappear, only to reappear a little later with foreign currency in their wallets. Those in the second group

cursed out loud. The echoes of their cursing resounded at the Lodz OPZZ [Trade Union] meeting, from whose platform the behavior of the innocent lamb Telimena (for heaven's sake!) was deemed scandalous. The heavily reference in this context is altogether appropriate since the trade in dollars, ostensibly under Telimena's auspices, is actually not Telimena's doing but that of somebody entirely different, namely the Christian Social Association [ChSS]. And the whole business is entirely legal.

The ChSS obtained the necessary concessions, and since it does not have its own stores, formed a partnership with Spolem, which suffers from a chronic shortage of merchandise for its assortment. The ChSS foreign trade office imports merchandise (using an FRG firm in Singapore and Turkey), Spolem sells it and both partners are happy and plan to expand the business. At present, Telimena is only selling clothing and shoes for dollars, but soon gold jewelry will also be available. Thus, anyone that justifies a live-in arrangement by saying that there are no wedding rings on the market soon will have no excuse. The ChSS will import rings and the union will have to be legalized before God and man.

Tempted by Soaked-Away Money

Everybody wants to engage in the kind of activity that makes a profit. Right now production of goods is the least profitable kind of activity. Trade pays off best. Buy it there (since there is not much to buy here) and sell it here—for convertible currency, of course.

Until recently, only Pewex and Pol-Mot could enjoy prosperity by employing this principle. Several years ago, Baltona got into the act. However, the real movement began this year, when a dual currency system became a universal phenomenon in our economy. Every coproducer tries to drain customers of their money. The logical consequence of this is to draw the individual customer as well into the second circulation. Merchandise that cannot be manufactured at home, partly due to a shortage of foreign exchange, is offered to the customer only for convertible currency. And since their list is bulging, the idea that the Pewex stores deal only in luxury items has been expressed. Only here can one always buy toilet paper (two rolls for a dollar); they often have warm coats (\$40), deodorants (two brands), warm underwear and many other everyday essentials. The worse the consumer goods market, the greater the number of potential foreign-exchange customers.

At present, almost 200 different enterprises have licenses to sell merchandise for foreign exchange in Poland, and others are waiting in line for these licenses. People with zloty are quite unhappy about this, while those that were not very satisfied with the services of the foreign-exchange monopolists of the past are delighted. The latter were so dissatisfied, in fact, that a large portion of Poland's foreign-exchange funds is freely spent in western stores or mail-order firms.

Several billion dollars is held in private accounts, or is "socked away" by Poles, often when they return from abroad. This excites the imagination, and more and more enterprises see that selling western goods in Poland for foreign exchange as a very tempting business.

Thus, licenses are sought after by trade organizations whose names have been associated thus far with milk or baked goods, but not video equipment, as in the case of Spolem. While in the past, many of them leased their space to Pewex, now they have decided not to be satisfied with a "payment" in zloty but want to make money themselves. Spolem has already been granted a number of concessions. Some of these have remained inactive and are used only for bargaining purposes in talks with Pewex, supposedly in order to gain more favorable terms for leasing space. This is a convincing argument, since Pewex is sharing foreign exchange with Spolem as well.

The Centrum Department Stores prepared for selling for foreign exchange with a vengeance. Departments were opened in Poznan and Wroclaw. Warsaw's Junior was remodeled from the ground up; the whole second floor will tempt those returning from abroad. It will also irritate those who look for warm boots, coats or underwear in the neighboring Wars or Sawa stores.

At Centrum they ask, "Do we have any other alternative? Polish suppliers clamor for foreign exchange from us. We must give it to them in order to receive more gas ranges, bicycles and other items. We also need dollars to modernize—to import air conditioning equipment and escalators. Meanwhile, the pool of foreign exchange distributed from the central government is drying up. Foreign exchange purchased through competitive bidding is very expensive. Whatever foreign exchange we ourselves earn certainly will be cheaper."

The Lodz Polmozbyt firm hit upon the idea to make money by doing what some "firms" have succeeded in doing (illegally or semilegally) for years: being brokers in importing from the West automobiles manufactured in socialist countries. The currencies of our neighbors suffer from the same disease that plagues the zloty. We cannot purchase Lada and Skoda automobiles in quantities sufficient to meet our consumer demand, since the manufacturers prefer convertible currency to the ruble. Customers from socialist countries purchase automobiles produced on CEMA markets for marks and dollars and are satisfied.

More and more foreign trade enterprises such as Inex, Dromex, and Universal also add domestic export to real export. Universal's director believes that cooperation with foreign countries cannot be based on selling alone. Merchandise should move in both directions. Only then can one speak of real trade. Such firms as Bauknecht, Philips and Siemens purchase Polish household appliances; purchasing something from them would improve the atmosphere. Universal has initiated this and displays

its offerings on Francuska Street in Warsaw; soon it will also have goods available in foreign-exchange stores in Lodz, Poznan and Szczecin. It plans to open its own Siemens outlet on Marszalkowska Street in Warsaw.

Ms. Bozena Bando-Lewicka, who handles domestic export for Universal, was herself surprised at how quickly microwave ovens went at \$750 each, despite the fact that other microwave ovens are cheaper at Pewex. She said, however: "The cheaper microwaves do not brown the meat, while ours brown them nicely."

The principle that must be observed at the foreign-exchange store is that merchandise that can be purchased for zlotys if one stands in line and waits should not be offered. For example, vacuum cleaners that cannot be priced any cheaper than \$50 do not go, while people scramble for the "samurai" at \$380. This is a near-professional quality camera, a big seller in the West last year. The photographic equipment assortment must be expanded. Universal also will deal in clothing. It finally has its own offices in South Korea and Taiwan, and if things are cheap there, they should not be expensive here.

The School Aid Foundation earns foreign exchange by selling for cooking equipment, lubricants, motor oils and bicycle and motorcycle tires. Similarly, the Krakow Monuments Foundations, the Polish-French Friendship Society and many, many others wish to build up their foreign currency accounts.

To Whom Is a License Granted?

Until recently, only enterprises designated as "organizational units of the socialized economy" could be granted a license for foreign-exchange sales. Moreover, it was only through their brokerage that foreign firms could offer their merchandise (e.g., in the way that Dynamo deals in Dutch seeds at Mirowska Plant House (15 grams of grass seed sells for \$1.50). New ideas take hold a little too quickly, however, and now various kinds of domestic companies are receiving licenses. At the Ministry of Finance, I heard that: "Those firms that have foreign capital should revitalize our production and modernize industry, and not just earn dollars in the easiest possible way."

An artisan has applied for a concession to sell for foreign exchange. He fits the ends onto hearing aids, but first you must purchase these parts abroad or at Baltona. The artisan wants to offer them for foreign exchange himself. He still does not have the license, but the climate at the Ministry of Finance is favorable.

It is so favorable that the person I interviewed (he asks not to be identified) is not even offended by the next question: can several persons, using private foreign-exchange capital, set up a company and apply for

approval to open an outlet to sell for foreign exchange? "Most certainly, but the courts cannot keep up, and the wait for registering a company is over 6 months."

In mid-December it is not yet known exactly whether the bureaucratic redtape involved in making a request for a license to sell in foreign exchange will be cut back. For the present, before one can request one license, he must receive prior approval of various kinds.

The Warsaw Automobile Club, as a social organization, began with the Town Hall and approval to conduct economic activity within the capital. But since it planned to open several selling outlets in various Polish cities, it had to apply for a similar license to the Ministry of Industry. There, before a decision was made, opinions were received from the Ministry of Internal Affairs and the Ministry of Finance. The consultations lasted a half-year.

That decision having been made, it then could try for the next one: it applied with the Ministry for Economic Cooperation for approval to conduct foreign trade. Without its approval, the Ministry of Finance will not examine a request to conduct foreign-exchange sales. The final step was to resolve the question of determining the assortment.

The concession defines the assortment in which the Automobile Club is permitted to deal. However, before it begins to conduct trade, it must verify what it is not permitted to trade, i.e., it must familiarize itself with the list of strategic goods whose trade with foreign countries is prohibited. Thus, in spite of the fact that the license includes trade in automobile parts and accessories, the sale of tires is prohibited since they are on the list. It makes no difference that the Automobile Club does not want to sell them abroad since it only buys tires from foreign countries. By definition, trade with foreign countries includes export as well as import. Thus, the club must receive approval for another license, in this case to import and sell in Poland tires for compact cars manufactured by the Wessels firm in the FRG. They sell like hotcakes for \$24.90 each.

Gasoline sales would be even greater, but gasoline is considered an even more strategic product. Castrol is offering the Automobile Club gasoline at 32 pfennigs per liter. However, officials fear that with this kind of competition, bringing gas prices up to the level of prices in the West, foreigners would be less interested in the coupons. Orbis sells them. They are already not too pleased, since Orbis prices are very high and Western tourists tend to buy gas illegally at a much cheaper price.

Today the procedure for determining the exact assortment has been greatly simplified. However, it is not quite true that anyone can trade in anything, as ministry officials claim. Some firms, for example, receive approval for importing automobiles, while others do not.

The ChSS trades wrecked automobiles in Krakow, while the Centrum Department Store to date has not received approval to import new cars.

I Will Rent to You for Foreign Exchange

When you go to the Stolica cinema theater, do not forget to take with you a few hundred dollars in cash. Even if there are no tickets left for the showing, there is certainly to be the Seiko watches being sold at the rear of the theater by Film Polski.

Dollar stores crop up in the most unexpected places. The reason is that one sells in whatever space one can get and, as everyone knows, it is not easy to get a location. Not only must you get approval for a concession, you must also have a space, which means being reviewed by many institutions and individuals.

The best way is to take your merchandise to a company. You can sell whatever they do not have in one store and rent the other one out for foreign exchange. Even if the store is approved, you still have to convince the local housing development committee of the need to open up sales in foreign exchange. As a rule, they do not like such "pewex" stores (this name is universally applied to all stores dealing in foreign exchange sales) and they know what they are doing. Sometimes you can win over the residents by offering a video cassette recorder to the local senior citizens' club. Some firms sell their wares "over the phone," hiding it in places that could hardly be called stores.

Do Not Annoy the Giant

The more the enterprises engaging in foreign-exchange trade, the greater the competition for customers. Right now there is no real competition. The new firms try to stay out of the way of those that formerly had monopolies. While all are ostensibly equal, the position of those starting out, particularly of those for whom foreign-exchange sales are the sole form of economic activity, is far weaker.

That is why after the first of the year the Automobile Club, while it will also handle automobiles, will offer customers only models in which Pol-Mot is not interested. Western suppliers became accustomed to our monopolistic market many years ago when they signed contracts with Pol-Mot. They were not ruffled by the clause that stated that only Pol-Mot would trade their goods in Poland. These contracts are still binding. Recently Pol-Mot signed an agreement with the Automobile Club granting it permission to purchase the 1989 Lancia-Thema turbodiesel model from Fiat (selling for over \$12,000). The Automobile Club is looking for a more popular model in South Korea. If it will risk the competition, it will not be with Pol-Mot, but with the ChSS or Polimar at best which import used cars.

Others are also looking for suppliers that are not associated with giants.

In their years of controlling the market, the big firms had time to get rich, and so now only they have the guarantees of bank credit. For the most part, the new ones are starting from scratch. They do not have the foreign exchange to turn over in interest and their chances for receiving bank credit are slim. Thus, they join together with their suppliers who offer them their goods on commission. This frees them from worrying about what to do with items they cannot sell. The supplier simply takes them back. However, this setup does not facilitate price negotiations and makes competition with Pewex all the more complicated.

The Centrum stores maintain that they are not afraid of Pewex or of the risk related to purchasing goods. Whatever does not sell for foreign exchange will be put out for sale in zlotys. Then the zlotys can be exchanged for dollars on the dollar market. Let them beware, however, if they ever think of paying Western suppliers in zlotys—but not because they will be laughed at. The Ministry of Finance is afraid that the opposite will happen—suppliers will gladly accept zlotys—but the ministry will not allow it. Suppliers must be paid in dollars, not in our currency. Why? Because if such a firm earns zlotys, it also will want to spend them here, in hotels, restaurants and stores, thereby avoiding the official exchange of foreign currency and depriving the state treasury of revenue in hard currency. Only we must be wary of that which makes everyone else happy.

In spite of the fact that the number of firms selling for foreign exchange is growing rapidly, they have not yet been able to weaken the position of the giants. At most, they have begun to nudge them a bit. In 1988, turnovers for all enterprises reached approximately \$700 million. The Pewex share in this was nearly 62 percent, while Pol-Mot's share was 13.2 percent. Turnovers for 1989 amounted to approximately \$750 million (this figure would be much higher if the offerings of domestic automobiles sold by the FSO [Automobile Factory] and the FSM [Compact Car Factory] had not dropped sharply in the first months of the year). However, the share of both Pewex (782 stores) and Pol-Mot in these turnovers will be even greater.

Everyone Demands an Equal Chance

While all are equal, Pewex and Baltona are more equal. This is the complaint of the new contenders that are denied licenses to sell alcohol. They are not in competition for domestic sales, for that is no longer such a lucrative business. Only 5 percent of the so-called foreign exchange allowance remains in the cash registers of Pewex and Baltona, and even this must be shared with Polmos, which needs foreign exchange for bottle caps. The sale of domestic alcohol for dollars has also dropped sharply. In 1988, every fifth dollar earned by Pewex came from the sale of Wyborowa or Zytnia vodkas, while

scarcely every eighth dollar was earned from such sales in 1989. The situation is worsening overnight. Given the current black market rate, everyone would rather pay 2,000 zlotys rather than 80 cents, or 800 zlotys more. At the end of last November, Pewex had one-third the revenues from domestic vodka sales compared with 1988 sales.

However, earnings from foreign alcohol are very good. Foreign alcohol is much cheaper in Poland than in the West, in spite of the fact that the profit margin is 100 percent or more. One cannot make such a high profit on manufactured goods for which new firms are being granted concessions. Until there is an equal opportunity for selling alcohol, there will be no real competition.

Pewex, which finds the private brokers of various kinds to be "more equal" than the state firm is also demanding equal opportunity. Such brokers send people on trips and have them bring in telefax machines, for example, which underground dealers then sell to enterprises for zlotys, thus raising the black market rate of the dollar. This would not be the case if Pewex was permitted to sell these telefaxes to state enterprises for foreign exchange, but the Ministry of Finance does not permit it, thereby depriving itself of foreign exchange.

Pewex's trade in Polish coal, coke, cement and ham is even more amusing. It sells at prices undreamed of by its foreign exporters. For example, in order to buy a ton of coal at Pewex, first you must go abroad because you can only pay for it in the West (\$77 for coal, \$100 for coke and \$50 for cement). What is even more amusing is that in spite of this, the transactions are finalized; last year, \$103,000 in revenues flowed into the treasury for coal and \$26,000 for coke.

New things take hold fast, but not so fast that here and there the old does not remain steady. This is what happened at the Ministry of Finance, where they began to see that people must be encouraged to spend their dollars in Poland not only by increasing the fishnet of enterprises trading for foreign exchange, but also by adopting a wiser fiscal policy. Until recently, the state treasury was quite draining in this regard: for every dollar that came into the foreign-exchange store, 55 cents had to be sold to the state for zlotys, at the official rate.

At the beginning of 1988, the state treasury became less greedy. It was satisfied with 38 cents, and not 55 cents, of every dollar, while it still demanded 95 percent of revenues from sales of domestic alcohol. It also encourages the sale of new automobiles (it only purchased 20 percent itself). However, it continued to determine their prices and the price of diesel engines, trailers and farm machinery and equipment. Since 1 December 1988, the maximum rates for the resale of foreign exchange to the budget were once again reduced from 38 cents to 25 cents on the dollar. This should lead to a reduction in prices in foreign-exchange stores (recently the black

market rate decimated the lines at the "pewexes"). It also should increase the attractiveness of the assortments, thereby increasing trade and revenues into the state budget.

It is only regrettable that all of these measures do not affect those that are in possession of zlotys. Of course, it is of interest to them that the pressure to open up the foreign-exchange sale of domestic goods is intensifying. Paged and Unitra are clamoring for this. Others plan to "circumvent" the regulations, exporting a portion of domestic items to... the Szczecin duty-free zone, and from there to domestic stores.

Currency Speculator Comments on Proposed Foreign Currency Law
26000274 Warsaw PRAWO I ZYCIE in Polish
No 2, 14 Jan 89 p 5

[Interview with "SS", foreign currency speculator, by Piotr Ambroziewicz: "I Will Not Be Put Out to Pasture"; date and place not given]

[Text]

[PRAWO I ZYCIE] I don't know whether you remember me. I am, or rather was, an acquaintance of the late Jurek, who spent a couple years on death row for dealing in foreign currency (perhaps, he exaggerated a little, because at the time life imprisonment was the stiffest punishment).

[SS] I remember. You wanted to purch...

[PRAWO I ZYCIE] I wanted to do an interview with him, take down his recollections...

[SS] What did he say to that?

[PRAWO I ZYCIE] He said: "We can always talk." However, Jurek passed away shortly thereafter, so I would like to ask you a couple of questions now.

[SS] You can always ask questions.

[PRAWO I ZYCIE] Are you familiar with the new draft currency law?

[SS] Just barely.

[PRAWO I ZYCIE] Here it is for you.

[SS] (Having read the draft) That much I knew anyway.

[PRAWO I ZYCIE] What do you think about all of it? For example, are you afraid of competition, or would you, perhaps, like to open your own exchange office. With experience like yours...

[SS] With experience like mine, I will survive on my own, that is, with a couple of other people, even without an exchange office. Primarily, however, I don't see how things are going to work out, who can and who cannot do it, how much for the state and how much for me—there are a lot of questions in this matter.

[PRAWO I ZYCIE] Unfortunately, I cannot answer them. The theory goes that draft laws should be accompanied by draft executive acts in order to make it known more precisely and specifically what is going on, and how.

[SS] You put it cleverly. What about competition? It is definitely going to be strong, so a man will have to pound the pavement longer in order to hold his own. But am I afraid of competition? No! You see, I will always outbid them, a couple points higher here, a couple points lower there, as needed. I will not be put out to pasture.

[PRAWO I ZYCIE] Could you afford this? They probably won't miss the opportunity when it is there.

[SS] Correct, but they will definitely pay taxes, and I won't. They will have this entire bureaucracy of theirs, and I won't. They will have the exchange rate of the day, and I—that of the hour. For their rate of the hour, I will have the rate of the minute. Walkie-talkies will get more expensive.

[PRAWO I ZYCIE]???

[SS] One needs to know right away what, where and how much.

(He falls silent for a moment.)

[SS] After all, we can also do it like that: an exchange office plus quiet spotters, those working until now in our industry. Trouble is, we know too little now; we will wait and see.

[PRAWO I ZYCIE] In any event, you cannot do it alone?

[SS] No, there is no room for solo performers here. At times, various boys try it, but it so happens that things do not pan out for them.

[PRAWO I ZYCIE] They say that some of you cooperate with the security organs.

[SS] They say all kinds of things. Why do people want to know too much? This can bring nothing but trouble in the future.

[PRAWO I ZYCIE] Are you not afraid that clients will prefer to go where it is legal?

[SS] Why do you use dirty words right away? Clients will go where they will buy or sell more profitably. If I buy something from a citizen, who will be able to prove to me

that this is for commercial purposes? Or if I sell to him? Thus far, they have not got anything on me, and they won't get anything now. I am not afraid of the law, I am more afraid of life—here is a good title for your article—or rather I would be afraid if I did not know that for a very long time the zloty will only be worth anything if it is exchanged into hard currency.

[PRAWO I ZYCIE] How should I introduce you to the readers?

[SS] Maybe you will bring along a photographer on top of this? There is AA, Alcoholics Anonymous, so I may be SS, silent speculator, though I do not like this word. I am a regular merchant, a trader who deals in currency.

[PRAWO I ZYCIE] What is the rate today?

[SS] You want to buy? Four [thousand zlotys] to a dollar.

[PRAWO I ZYCIE] You are a profiteer.

[SS] Well, for you it will be 3.8. If you buy more, there will be a reduction. In general, at present, the time for me is to buy, and not to sell.

[PRAWO I ZYCIE] Would you like to authorize this interview?

[SS] As it is, I have already lost a lot of (gestures as if he were counting money) time because of you.

[PRAWO I ZYCIE] Can you say just how much?

[SS] Even I do not know this.

[PRAWO I ZYCIE] Say, on the average.

[SS] On the average, 20 years ago the dollar was worth 45 zlotys. The official rate was 4 zlotys, the tourist, or so-called special rate—24 zlotys, the PKO [General Savings Bank] rate—72 zlotys, and our rate—80 zlotys.

[PRAWO I ZYCIE] As I have heard, you are an optimist. However, will there ever be the time for you to be put out to the nomen omen, the aforementioned green pasture?

[SS] Only when, instead of 20 classifieds saying "Will buy certificates" or, say, dollars, and one classified ad saying "Will sell certificates," I will read in the newspaper 10 ads about selling and five about buying.

[PRAWO I ZYCIE] Thank you for the interview.

[SS] Thank you for coffee and brandy. Please, do not reach into your pocket, it has been paid for.

State Enterprise Conversion to Joint Stock Company Viewed

26000291 Warsaw TRYBUNA LUDU in Polish
3 Jan 89 p 3

[Interview with Dr Martin Swiecicki, secretary general, Economic Consultative Council, by Krystyna Sonntag: "A Return to the Word 'Capital"'; date and place not given]

[Text]

[TRYBUNA LUDU] The last report of the Economic Consultative Council contains a draft of the changes to be made in property ownership. It clearly states that if the workforces are not interested in profits and a growth in the value of assets, there will not be a healthy economy. Now they are interested principally in current income and very little thought is given to the future of the firm, its development and economic expansion. In view of this, what should reform consist of? Certainly not of the conversion of all of those steel mills, mines and lathe factories into private enterprises.

[Swiecicki] In Poland it is not possible to privatize state assets as is done in the West. Private-savings reserves, in relation to the value of state assets, are dozens of times lower than in the Western countries. Therefore, any large privatization program in Poland would, in practice, mean the distribution of all of the public assets which, despite all of the defects, bring millions of net profit annually. I doubt that such a program would obtain public approval. Our proposals are more cautious. To put it most simply, the idea is to activate a long-range process of converting state enterprises into joint stock companies. Stocks could be purchased by individuals, but the basic group of stockholders would be legal entities.

[TRYBUNA LUDU] If I understand correctly, the state, in deciding to convert an enterprise into a joint stock company, would put the stocks of a given firm on the market, i.e., permit open sales, and these would be purchased by those who believe that investing their money in this endeavor is good business. Who do you see in the role of customers?

[Swiecicki] In addition to individuals, all institutions which would be genuinely interested in a source of additional income, i.e., social organizations, higher learning institutions, people's councils, insurance firms, commercial banks, savings societies, and specially created holding enterprises.

[TRYBUNA LUDU] Therefore, state enterprises would cease to be public property and would become group, or group-private property? What would this give us in practice?

[Swiecicki] It would be possible to better solve problems of basic importance to efficiency in a developed economy, with which no reform in a socialist country has been able to cope thus far. First of all, supervision over the enterprise and its management would be exercised by a group of stockholders who are interested in profits and in the growth of the market value of the stock, i.e., in the ability of the enterprise to produce a profit, now and in the future. Heretofore, the interest has been primarily to maximize the current consumption and then later, maybe, to allocate enterprise funds for capital investment.

[TRYBUNA LUDU] I gather that you are referring to trade unions, as well as self-management or management, but after all, there are also parent agencies which watch over wages. There are the relevant taxes which control the growth of the wage fund. Is this not enough?

[Swiecicki] That is precisely the point. The methods of wage control imposed by higher authority in autonomous enterprises have failed, for many reasons. Hundreds of formulas have already been tested, but all of them have defects. Either they are antimotivational and do not act as an incentive to a production growth, or they are "loose" and cause an excessive outflow of money, or they are "susceptible to manipulation", or they are unfair: they punish those workforces which up to now have worked very hard and cannot improve the affected indicators as can their neighbors, who did not work hard. One result of this situation is wage discrimination in good state enterprises in relation to private sectors. Despite the fact that they have the funds, they cannot pay their best skilled workmen well because a separate limit on wage zlotys is in effect. The best cadre, which in a reformed economy could do a great deal in the large state firms, is leaving to take jobs in the small specialty shops.

[TRYBUNA LUDU] Would it not suffice, therefore, to remove the restrictions on the wage fund in the good enterprises, which—as is now being proposed—could take place after the general taxing of personal incomes is instituted?

[Swiecicki] Such a removal of restrictions would have to bring about an excessive consumption of profits in enterprises. Besides, who would decide, and on what basis, which enterprises should be exempted and in which the restrictions on wage growth should be retained. Experience has shown that no universal system is possible and a favoritism-clout system would have to arise. On the other hand, those interested in profits—the "owners" or the manager accountable to them—would have to decide for themselves how much should be paid so as not to overpay but neither to lose people who at a high wage will do more to increase profits than to bring about a decline.

[TRYBUNA LUDU] Besides making wages dependent upon profits, can we expect any other benefits from converting state enterprises to joint stock companies?

[Swiecicki] Supervision over those entities interested in making a profit will also have a beneficial effect on other aspects of management inside the enterprises: discipline and work organization, savings in costs of materials and property utilization. But that is not all. Conversion of enterprises into joint stock companies and a multiplicity of stock owners will, with time, bring about the formation of a capital market. This is an economic institution which we lack today and this has a increasingly adverse effect on our development.

[TRYBUNA LUDU] Why? What functions would such a market fulfill?

[Swiecicki] A capital market, in addition to a system of commercial banks, would be the best solution for efficient allocation of capital in the economy, i.e., savings in the hands of society. Stock can be bought and sold at any time. The owners of capital will look for the best place to invest it. An opportunity will arise, an additional factor in making the process of investing in the economy more efficient, because heretofore investments in very large measure were decided by various branch and local arrangements, various traditional lobbies, and existing structures continue to be duplicated.

In addition, the value of the stock on the market, changes in this value in relation to other stocks, is a good measure of the enterprise's efficiency, which may form a basis for decisions which will motivate the management, and to a certain degree, the workforce. Finally, we should mention that even the very limited sale of the enormous, after all, state assets, may be a very big source of revenue for the state treasury. This would have a large anti-inflationary effect, which in the next few years is not an insignificant argument.

[TRYBUNA LUDU] How would the reform of state property be conducted in practice? Regulations on the replacement of state enterprises with joint stock companies were introduced at the beginning of the year, but somehow we do not see very many willing customers.

[Swiecicki] The regulations in effect allow self-management and management to submit a joint application for such a change, after which, if the parent organ approves the application, the self-management is automatically dissolved and the management is dismissed. It is not surprising that the initiatives from the bottom ranks in this matter have collapsed. However, we suggest that the state take the initiative. A State Assets Board should be appointed. This would be a numerically small institution, made up, let us say, of a few dozen specialists. It would concern itself with converting enterprises—initially on an experimental basis, I believe—into joint stock companies. The board would conduct an active policy of buying and selling stocks.

Furthermore, it would concern itself with leasing state enterprises to workers' self-managements, for example, and would form holding companies for financial operations. And it would also concern itself with the sales and purchase of state property in other forms. In these joint stock companies the self-managements would have to be guaranteed some minimum participation in management.

[TRYBUNA LUDU] The appointment of a State Assets Board would make the present parent organs with all of their imperfections superfluous. But will this not be a losing deal, since to a certain degree it takes over their functions?

[Swiecicki] The State Assets Board will have all of the attributes of authority which now belong to the ministries, for example, or the local authorities. In no case will it exercise a management function.

Ownership of Enterprise Assets Stirs Dividends Discussion

26000281 Warsaw ZYCIE WARSZAWY in Polish
21 Dec 88 p 3

[Article by Erwin Plichcinski and Marek Rosinski: "Dividends: Food for Thought"]

[Text] The Ministry of Finance is facing a distressingly difficult task of drafting changes in the financial system of enterprises, working on an incredibly tight schedule and encountering highly "inflexible" financial policy restrictions. This makes putting forth critical remarks concerning the ministry's proposals in this matter all the more difficult. However, the significance of this issue is such that it is better to think twice before the final decision is made.

Among other things, the proposed changes attempt to resolve a fundamental issue: who is the owner of the assets of a state enterprise in which employee self-management operates and makes autonomous decisions?

The answer to this question given in the proposed regulations opens up for self-managing enterprises the prospect of transforming enterprise assets from state to group property. This will be possible through buying out from the state its share in the value of enterprise assets, as represented by the so-called initial capital fund, as well as through increasing the assets of a finance enterprise [apparent misprint; "the enterprise assets financed" is more likely] from the enterprise's proprietary funds generated through the distribution of profit. The initial fund is to be, at first, the value of the entirety of current fixed assets of state enterprises and one-quarter of their working capital.

However, this interesting and reasonable concept of the initial fund is tied to the concept of imposing on state enterprises the obligation of paying annual dividends in

an amount pegged to the interest rate on bank loans, which gives rise to considerable doubts. This concept skillfully solves the problem of setting up an ostensibly uniform system of taxation for units of all ownership sectors in our economy. After all, at present, the socialized sector pays relatively higher taxes, whereas it will pay no more than the private sector, but will be additionally burdened by the dividends. Thus, the treasury will not lose current revenue (due to taking in the dividends), whereas the contributions to the state referred to as taxes will be the same for all ownership sectors.

It appears, however, that this will be the only benefit from introducing the institution of dividends. Apart from this, it may entail rather serious problems. Why?

Dividends and Prices

Primarily, because a system of prices which has evolved historically is in effect in our economy. It provides relatively small profits to producers managing large assets (e.g., the iron and steel industry, mining, transportation), unlike producers operating with relatively little capital (e.g., the light industry). This price structure is incorrect, and it should be changed. However, at present it is a fact, and it will not change any time soon. If it is so, then at present there is no way to set the same "fair" rate of dividend (its ratio to the assets used) for all enterprises.

The average rate will definitely be too high for some, and will not "put pressure" on others. In turn, a rate "putting pressure" on enterprises which generate high profits would be unacceptable for enterprises whose profit margins are small (through no fault of their own, but due to the system of prices). As a result, various reductions and exemptions from dividend payments should be used. This, in turn, would cripple the system, transforming it into a set of customized, arbitrary decisions and a manually operated system of financial contributions.

Would it be worthwhile to try and bear it at first, with a view to the necessary and, in the long term, unavoidable evolution of prices? It would be indeed, provided that the institution of dividends is able to operate correctly in an environment of prices put in good order by the market. However, this is not the case.

Dividends and the Interest Rate

In market economies, the size of dividends fluctuates depending on how the business of the company is going. If business is bad, shareholders generally decide not to take dividends. If business is less than average, the dividend announced happens to be lower than the rate of interest paid by banks on the money deposited. High dividends are collected when business is definitely good.

All of this reflects the normal state of affairs for enterprises; at times, business is bad, at other times, average or very good. After all, as a rule, there are no enterprises which always do great.

For shareholders, it is only important whether shares yield dividends considerably higher than the bank rate of interest over a long period of time (rather than every year). However, the revenue of the state budget cannot be based on this arrangement. State agencies should not set the amount of dividends in each individual case. Hence, the authors of the proposal envisage (correctly) that enterprises would pay dividends at the same rate corresponding to the rate of interest on loans made by one bank to another.

However, this arrangement would bring about the situation in which enterprises temporarily performing badly would be unable to pay the dividend.

The designers of the new system have anticipated this; they propose the provision that enterprises will not pay a part of the dividend due if the combined share of the profit tax due and dividends would claim more than 65 percent of enterprise profits. To be sure, this provision makes the institution of dividends more flexible, but, at the same time, it "penalizes" efficient producers and "gives presents" to those whose efficiency is low. After all, an efficient producer must count on paying the entire dividend due, whereas the inefficient one will not pay a considerable part of the dividend due for the one reason that dividends and the profit tax would "eat away," say, 90 percent of his small profit. It is difficult to call this system of financial contributions a system of equal opportunity.

However, in fairness to the system, we should acknowledge that, by "sparing" the inefficient ones, it also gives a boost to highly efficient producers, the ones for whom less than 65 percent of the profit generated will suffice to pay in full the dividend and the profit tax. The system puts in the relatively worst position the average enterprises, i.e., those using 65 percent of their profits to pay the dividend and the profit tax in full.

Therefore, this is not going to be a system of equal contributions by enterprises relative to either the capital they use or the profit they generate. The fact that highly efficient producers will benefit from it should not be objectionable, but there is no rational reason why the inefficient ones should take advantage of it at the expense of those with medium efficiency.

Attaching the dividend to the interest rate necessarily brings about such consequences. Moreover, it will also cause considerably greater uncertainty in planning enterprise operations. The interest rate has to be changeable. Under these circumstances, how can the financial performance of an enterprise be calculated?

This may draw the response that, in any market system, the rate of interest changes, and enterprises taking out loans have to reckon with the uncertainty this entails. This is true, but it is also true that operation of enterprises almost exclusively on the basis of borrowed capital is not the rule in any market economy.

In most cases, borrowed capital is merely an addition to proprietary capital, sometimes a greater and sometimes a smaller one. In this case, if business is bad, it is possible to survive by giving up the income from proprietary capital and allocating the profit generated for paying for the use of someone else's capital. On the other hand, if you operate on borrowed capital only, the risk of insolvency increases tremendously, and paralyzes the will to make a decision.

Consequently, it may be expected that maintaining a comprehensive system of dividends, while striving at the same time to reduce enterprise "uncertainty" (which grows as higher levels of dividends are set), would actually bring about setting dividends according to a rigid rate for at least 1 year, which rate, at the same time, would be well below the going interest rate. In turn, this would make dividends an unproductive source of revenue for the budget.

'Other Difficulties'

These will be caused, firstly, by the lack of opportunity to set up initial funds in cooperatives whose assets do not belong to the state. This will drive the dividends state enterprises will have to pay even higher. Secondly, difficulties will be caused by dissimilar structures of the ratio of the values of fixed assets and working capital within the assets of individual enterprises. Due to this, out of two enterprises with assets of the same value, the one with a higher share of fixed assets in the overall value of assets will pay higher dividends for no rational reason.

Thirdly, in an inflationary environment, it will be necessary to reappraise the value of the initial fund annually. It is hard to conceive of this being done without using average statistics of price growth. This will also mean that the dividend burden on enterprises will increase at the same percentage rate for both the enterprises operating with obsolete and modern assets, which provides different opportunities to generate profits. If a capital exchange were in operation, such differentiation would be "registered" immediately and would be expressed in a corresponding decline of the shares of the former groups of enterprises and a growth of shares of the latter group. This would cause the equalization of the situation of enterprises with regard to the dividend burden. Reappraisal through administrative means rather than the exchange will necessarily lead to a profound actual differentiation in these rates.

Time to Think

All of these doubts should not necessarily bring about the death of the concept of dividends. Perhaps, certain corrections in the proposed arrangement will suffice to effectively blunt the cutting edge of the objections raised. Due to this, we should advocate spending the next year to improve this concept rather than abandoning it right now, so that, beginning in 1990, a system of contributions from enterprises causing fewer justifiable doubts may be introduced.

Agricultural Practices, Environmental Pollution Poisoning Food

26000286 Katowice GOSC NIEDZIELNY in Polish
No 2, 8 Jan 89 p 1

[Article by Krystyna Jagiello: "Why Are the Foodstuffs Contaminated?"]

[Text] I get the impression that the problem of danger to the environment has been dealt with in the worst sense of the word "deal." There are few scientists in Poland who treat this field of science; instead, there are many publications which create a certain information clutter. We should write about these issues, which I am hereby doing, but information alone will not suffice. We should counteract the threat. There is plenty of proof that nothing will change without pressure from the public. I believe that all social initiatives which can influence the decisionmakers at least to some degree are priceless, such as ecological circles organized at churches, public lectures on relevant topics and events similar to the ones organized by the people from the group "I Prefer to Be." Actually, it is getting worse and worse, despite much being said and written about this danger to the environment. Any Pole who knows anything in this matter feels that he is actually being poisoned continuously through the radiation of the concrete of which the walls of his apartment are made, through water, air and foodstuffs. The condition of the latter is alarming, and it calls for a change in the stand of the authorities on this issue.

The modernity of our agriculture is costing us a lot in terms of health. The backwardness which causes us in Poland to acknowledge as modern the things long recognized to be harmful in civilized countries costs us still more. First of all, mineral fertilizers produce harmful effects by causing the accumulation of nitrates and nitrites. The latter bring about the contamination with so-called nitrosamines, which are highly carcinogenic. The FAO, a world organization for foodstuffs, has set the norms of their intake which should not be exceeded. Poland exceeds them continuously. This can be learned from a perusal of the yearbooks of the PZH [State Institute of Hygiene]. Thus, as long as 4 years ago, employees of the institute tested food rations in 35 day care centers in Warsaw. Samples were collected, of which 30 percent showed that norms for nitrates were exceeded by 50 to 80 percent. A year later, the PZH released data on the food intake of toddlers and children under 3 years

of age. In the nourishment of children between 1 and 3 years of age, the norms for nitrates were exceeded by 150 percent, and at times, even by 400 percent.

Nothing has changed since, and nothing could have changed. We live in an increasingly contaminated environment, and nobody cares! Nobody from among those who have a say in matters of agricultural production.

Agriculture widely uses herbicides, weed killing compounds, which are highly toxic, which, on top of that, destroy all microorganisms and thus cause soil sinter. Fungicides, agents which kill fungi and contain mercury compounds, are even more dangerous. To be sure, 10 years ago production of fungicides in Poland was discontinued (8 years later than in the West). However, their use is permitted until the stocks run out. Due to this "saving measure," mercury preparations continue to be used in gardening, greenhouses and mushroom plantations. Those in the Ministry of Agriculture should not tell me that these are just exceptions, just ignorant peasants over whom nobody has any influence. The authorities issue decrees and have an oversight apparatus, as well as the means of repression, the use of which in this particular instance would be worthwhile.

Mercury is a particular poison which threatens people throughout the world. The foodstuffs code of the FAO, which would gladly exclude foodstuffs containing mercury altogether, allows for certain doses of it out of necessity. Thus, according to this code, the weekly norm of consumption of mercury per person comes to 300 milligrams per person. It happens to be exceeded by two and three times in Poland, in a great measure due to the contamination of water. Scientists have tested the water of the Baltic Sea. The content of mercury in units designated by the letters ppm [parts per million] amounts to 1.35 in the Pomeranian Bay, whereas the average for oceanic waters of the world ranges between 0.003 and 0.030.

Industrial methods of cattle breeding and fodder production also contribute to contaminating foodstuffs. Due to their use, we eat antibiotics along with meat, eggs and milk. The use of automobiles affects the production of foodstuffs in a particularly harmful manner. The exhaust contains so-called aromatic hydrocarbons, and primarily the carcinogenic benzopirene. Testing for benzopirene content in the soil in recent years has produced striking results. Primarily, they ascertained the direct dependence of the benzopirene content in the soil on the distance from highways and industrial enterprises.

One meter away from the Warsaw-Katowice highway, the soil contained 2.95 mg of benzopirene per kilogram, 30 meters away from the highway—only 0.107 mg per kilogram. In the Suwalki area, apples were found to contain a maximum of 0.5 to 0.8 mg of benzopirene per kilogram, and apples in Silesia—30 mg per kilogram.

Actually, lettuce is altogether inedible (this is not hysteria on the part of the author, but a scientific finding). For example, in Silesia it was found to contain as much as 150 mg of benzopirene per kilogram.

Enough of this. I am afraid that the more statistics we publish the more we get accustomed to the problem, wringing our hands and carrying on. We should demand that responsibility for this state of affairs be shown. I am very much surprised by the fact that, when the hope emerged for roundtable talks (to be sure, hope is all we have so far), the issue of ecology did not attract anybody's attention. None of those who were supposed to represent the stand of the public in negotiations with the authorities was focusing on this issue exclusively. Since we still remain at the same point, that is, the authorities are still giving us an opportunity to prepare for the talks, it may be worthwhile to consider the condition of the environment and develop social demands in this matter. I think that these demands should not be of a general nature; they should involve compliance with, say, the world norms for foodstuffs. Let us remember that these are, after all, norms invented by the FAO out of necessity, for a contaminated world in which the call to protect the environment is heard from all quarters. Perhaps, Poles also have a right to this existential minimum.

GDR Interflug Agreement with Polish Aviation Plant

26000279b Warsaw RZECZPOSPOLITA in Polish
17-18 Dec 88 p 9

[Article by Jerzy Wierzcholski, RZECZPOSPOLITA permanent correspondent in Berlin: "Polish Aircraft for the GDR"]

[Text] About 500 Polish-designed and Polish-built aircraft fly over the GDR at present. Actually, we hold a monopoly in this market, as far as deliveries of aircraft for the needs of agriculture and related services are concerned. We also deliver gliders and training aircraft, the famous "Wilgas," in which our pilots continue to triumph in world competitions.

All of these exports are generated by the works belonging to the PZL [Polish Aviation Plants], which are celebrating their 60th anniversary this year. The extensive accomplishments of the PZL and its latest achievements were showcased in Berlin at an exhibition opened on 16 December in the Polish Information and Cultural Center. The exhibition is not only a celebration of the anniversary, but rather primarily promotional in nature, notwithstanding the references to the beautiful heritage of Polish designers and pilots, including Bajan, Zwirko and Wigura, made in the speech by Jerzy Krezlewicz, director-general of the PZL Foreign Trade Enterprise. After all, trade is not based on sentiments, but rather on specific high-quality offerings.

Within the framework of a contract between the PZL and Interflug for the years 1986-90, we will deliver to the GDR over this period of time 80 "Kruk" crop dusters, out of which 34 have already been furnished. We will also sell to the GDR aircraft of the "Dromader" type with a greater payload capacity. Next year, a new generation of the "Kruk" with a turbo engine will be tested in the GDR. Also, we sell agricultural aviation services worth 1.5 million rubles annually in this market. Our crews in our aircraft, including helicopters, dust the crops with fertilizer and insecticides, apply lime in the forests and put out forest fires.

This year, the PZL turnover in the GDR market exceeded 40 million rubles for the first time, amounting to 41.2 million rubles in value. This also includes exports of spare parts, repairs and deliveries of industrial machinery, such as hydraulic and pneumatic devices, shock absorbers and gear pumps. The latter are, among other things, the fruit of cooperation between the PZL and the Orsta-Hydraulik Combine in Leipzig.

Deputy Director of Interflug Peter Fischer praised the results of the now 40-year-old cooperation with the Polish partner, which has affected trade, as well as the exchange of design and technical ideas.

The most immediate plans of the PZL include, along with developing agrotechnical services, delivering aircraft with turbo engines and getting the GDR partner interested in engine pistons, which we deliver to, among others, major players such as General Motors and Volvo. Negotiations in this matter are underway.

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29 March 1989